

**HEALTH SERVICES AND DEVELOPMENT AGENCY
FEBRUARY 22, 2017
APPLICATION SUMMARY**

NAME OF PROJECT: Eye Surgery Center of Knoxville

PROJECT NUMBER: CN1611-038

ADDRESS: Unaddressed site on Dannaher Drive
Powell (Knox County), TN 37846

LEGAL OWNER: Eye Surgery Center of Knoxville, LLC
7800 Conner Road
Knoxville (Knox County), TN 37846

OPERATING ENTITY: N/A

CONTACT PERSON: Stephen H. Rudolph

DATE FILED: November 1, 2016

PROJECT COST: \$1,850,000

FINANCING: Commercial Loan

PURPOSE FOR FILING: Establishment of a Single-Specialty Ophthalmic ASTC

DESCRIPTION:

Eye Surgery Center of Knoxville is seeking approval to establish a single specialty ophthalmic ambulatory surgical treatment center (ASTC) limited to eye and related laser procedures at an unaddressed site on the south side of Dannaher Drive in Powell (Knox County), TN. The proposed project will include two operating rooms and one laser procedure room. The applicant is owned by six board certified ophthalmologists from four established practices in Knox County that range in distance from 0.2 miles to approximately 11 miles from the proposed ASTC site.

SERVICE SPECIFIC CRITERIA AND STANDARD REVIEW

Ambulatory Surgical Treatment Centers (*Revised May 23, 2013*)

The following apply:

1. Need. The minimum numbers of 884 Cases per Operating Room and 1867 Cases per Procedure Room are to be considered as baseline numbers for purposes of determining Need.² An applicant should demonstrate the ability to perform a minimum of 884 Cases per Operating Room and/or 1867 Cases per Procedure Room per year, except that an applicant may provide information on its projected case types and its assumptions of estimated average time and clean up and preparation time per Case if this information differs significantly from the above-stated assumptions. It is recognized that an ASTC may provide a variety of services/Cases and that as a result the estimated average time and clean up and preparation time for such services/Cases may not meet the minimum numbers set forth herein. It is also recognized that an applicant applying for an ASTC Operating Room(s) may apply for a Procedure Room, although the anticipated utilization of that Procedure Room may not meet the base guidelines contained here. Specific reasoning and explanation for the inclusion in a CON application of such a Procedure Room must be provided. An applicant that desires to limit its Cases to a specific type or types should apply for a Specialty ASTC.

The applicant is projecting 1,600 cases per operating room (OR) and 814 per procedure room (PR) in Year One (2017). In Year One the applicant will meet the above minimum requirement of 884 cases per operating room, but will not meet the 1,867 cases per procedure room requirement.

It appears that this criterion has partially been met.

2. Need and Economic Efficiencies. An applicant must estimate the projected surgical hours to be utilized per year for two years based on the types of surgeries to be performed, including the preparation time between surgeries. Detailed support for estimates must be provided.

Based on an average of 25 minutes per operating room case plus 13 minutes for turnover/prep, the operating room projected surgical hours will be 13.95 hours per week/OR or 726 hours in Year One, and 15.3 hours per week/OR or 799 hours in Year Two.

Eye Surgery Center of Knoxville

CN1611-038

February 22, 2017

PAGE 2

Based on an average of 5 total minutes per case, plus 10 minutes for turnover/prep, the projected procedure room surgical hours will be 3.9 hours per week or 203.50 hours in Year One, and 4.3 hours per week or 223.25 hours in Year Two.

The applicant provided four tables on page 18 of the application detailing the projected surgical hours and preparation time between surgeries in Year One and Year Two.

3. Need; Economic Efficiencies; Access. To determine current utilization and need, an applicant should take into account both the availability and utilization of either: a) all existing outpatient Operating Rooms and Procedure Rooms in a Service Area, including physician office based surgery rooms (when those data are officially reported and available³) OR b) all existing comparable outpatient Operating Rooms and Procedure Rooms based on the type of Cases to be performed. Additionally, applications should provide similar information on the availability of nearby out-of-state existing outpatient Operating Rooms and Procedure Rooms, if that data are available, and provide the source of that data. Unstaffed dedicated outpatient Operating Rooms and unstaffed dedicated outpatient Procedure Rooms are considered available for ambulatory surgery and are to be included in the inventory and in the measure of capacity.

There are 2 multi-specialty and 3 single-specialty ASTCs in the proposed 8 county primary service area providing ophthalmic procedures. The applicant has provided a utilization table of all single and multi-specialty ASTCs operating in the proposed service area for the Years 2013-2015. The tables are located on page 32 of the original application.

4. Need and Economic Efficiencies. An applicant must document the potential impact that the proposed new ASTC would have upon the existing service providers and their referral patterns. A CON application to establish an ASTC or to expand existing services of an ASTC should not be approved unless the existing ambulatory surgical services that provide comparable services regarding the types of Cases performed, if those services are known and relevant, within the applicant's proposed Service Area or within the applicant's facility are demonstrated to be currently utilized at 70% or above.

Note to Agency members:

For a dedicated outpatient operating room:

- ***Full Capacity is defined as 1,263 cases per year.***

Eye Surgery Center of Knoxville

CN1611-038

February 22, 2017

PAGE 3

- *Optimum Capacity is defined as 70% of full capacity, or 884 cases per year.*

For a dedicated outpatient procedure room:

- *Full Capacity is defined as 2,667 cases per year.*
- *Optimum capacity is defined as 70% of full capacity, or 1,867 cases per year.*

There are a total of 3 single-specialty ASTCs in the proposed 3 county service area. The service area single-specialty ASTCs representing 7 operating rooms (ORs) and 3 procedure rooms (PRs) provided 18,080 OR cases and 1,949 PR cases in 2015, and averaged 2,583 cases or 292% of the OR and 35% of the PR optimum utilization standard. Please refer to the table below.

Single Specialty ASTC Operating and Procedure Room Utilization in the proposed 8 County Service Area

ASTC	County	# ORs/PRs	# Cases per OR	# Cases per PR	% of meeting Optimum Standard	
					884 per OR	1,867 per PR
Eye Surgery Center of East Tennessee	Knox	2/1	1,465	862	166%	46%
Knoxville Eye Surgery Center	Knox	4/1	3,326	896	376%	48%
Southeast Eye Surgery Center	Knox	1/1	1,843	191	209%	10%
Total		7/3	2,583	650	292%	35%

Source: Tennessee Department of Health, Division of Health Statistics, 2015 Joint Annual Reports

There are a total of 2 multi-specialty ASTCs in the proposed 8 county service area. The service area multi-specialty ASTCs representing 7 operating rooms (ORs) and 1 procedure room (PR) provided 6,967 OR cases and 1,023 PR cases in 2015, and averaged 995 cases or 113% of the OR and 55% of the PR optimum utilization standard. Please refer to the following table.

Multi-Specialty ASTC Operating and Procedure Room Utilization in the proposed 3 County Service Area

ASTC	County	# ORs/PRs	# Cases per OR	# Cases per PR	% of meeting Optimum Standard	
					884 per OR	1,867 per PR
The Eye Surgery Center of Oak Ridge	Anderson	2/1	1,248	1,023	141%	55%
Physicians Surgery Center of Knoxville	Knox	5/0	894	N/A	101.2%	N/A
Total		7/1	995	1,042	113%	55%

Source: Tennessee Department of Health, Division of Health Statistics, 2015 Joint Annual Reports

Eye Surgery Center of Knoxville

CN1611-038

February 22, 2017

PAGE 4

It appears that this criterion has been partially met. The 1,867 per PR optimum standard for the proposed multi-specialty ASTCs in the proposed service area was 55% and did not meet the 70% optimum standard benchmark.

Note to Agency members: The number of operating rooms/procedure rooms in the proposed ASTC's service area that provides eye services decreased from 31 to 18 since 2013. The applicant provided a detailed list on page 3 of Supplemental #1.

5. Need and Economic Efficiencies. An application for a Specialty ASTC should present its projections for the total number of cases based on its own calculations for the projected length of time per type of case, and shall provide any local, regional, or national data in support of its methodology. An applicant for a Specialty ASTC should provide its own definitions of the surgeries and/or procedures that will be performed and whether the Surgical Cases will be performed in an Operating Room or a Procedure Room. An applicant for a Specialty ASTC must document the potential impact that the proposed new ASTC would have upon the existing service providers and their referral patterns. A CON proposal to establish a Specialty ASTC or to expand existing services of a Specialty ASTC shall not be approved unless the existing ambulatory surgical services that provide comparable services regarding the types of Cases performed within the applicant's proposed Service Area or within the applicant's facility are demonstrated to be currently utilized at 70% or above. An applicant that is granted a CON for a Specialty ASTC shall have the specialty or limitation placed on the CON.

There are a total of 3 single-specialty ASTCs in the proposed 8 county service area. The service area single-specialty ASTCs representing 7 operating rooms (ORs) and 3 procedure rooms (PRs) provided 18,080 OR cases and 1,949 PR cases in 2015, and averaged 2,583 cases or 292% of the OR and 35% of the PR optimum utilization standard.

It appears this criterion has been partially met due to multi-specialty ASTCs in the proposed 8 county service area operating at 35% of the procedure room (PR) optimum utilization standard in 2015.

6. Access to ASTCs. The majority of the population in a Service Area should reside within 60 minutes average driving time to the facility.

The majority of patients reside within 60 minutes of the facility.

Eye Surgery Center of Knoxville

CN1611-038

February 22, 2017

PAGE 5

7. Access to ASTCs. An applicant should provide information regarding the relationship of an existing or proposed ASTC site to public transportation routes if that information is available

Public transportation is available to the site through Knox County CAC Transit.

8. Access to ASTCs. An application to establish an ambulatory surgical treatment center or to expand existing services of an ambulatory surgical treatment center must project the origin of potential patients by percentage and county of residence and, if such data are readily available, by zip code, and must note where they are currently being served. Demographics of the Service Area should be included, including the anticipated provision of services to out-of-state patients, as well as the identity of other service providers both in and out of state and the source of out-of-state data. Applicants shall document all other provider alternatives available in the Service Area. All assumptions, including the specific methodology by which utilization is projected, must be clearly stated.

The applicant projects over 86.4% of patients will originate from the 8 county service area. The applicant provided a patient origin chart on page 27 of the application.

9. Access and Economic Efficiencies. An application to establish an ambulatory surgical treatment center or to expand existing services of an ambulatory surgical treatment center must project patient utilization for each of the first eight quarters following completion of the project. All assumptions, including the specific methodology by which utilization is projected, must be clearly stated.

The applicant projected annual utilization and specific methodology on page 24R of the original application.

It appears this criterion has been met.

10. Patient Safety and Quality of Care; Health Care Workforce.

- a. An applicant should be or agree to become accredited by any accrediting organization approved by the Centers for Medicare and Medicaid Services, such as the Joint Commission, the Accreditation Association of Ambulatory Health Care (AAAHC), the American Association for Accreditation of Ambulatory Surgical Facilities, or other nationally recognized accrediting organization.

Eye Surgery Center of Knoxville

CN1611-038

February 22, 2017

PAGE 6

The applicant plans to become accredited by the Accreditation Association of Ambulatory Health Care (AAAHC).

- b. An applicant should estimate the number of physicians by specialty that are expected to utilize the facility and the criteria to be used by the facility in extending surgical and anesthesia privileges to medical personnel. An applicant should provide documentation on the availability of appropriate and qualified staff that will provide ancillary support services, whether on- or off-site.

The applicant will initially credential and extend surgical privileges to the six physician owners and will consider offering surgical privileges to other qualified ophthalmic surgeons. The applicant will recruit from accredited nursing programs in the service area to fill any needed ancillary support services.

- 11 Access to ASTCs. In light of Rule 0720-11.01, which lists the factors concerning need on which an application may be evaluated, and Principle No. 2 in the State Health Plan, "Every citizen should have reasonable access to health care," the HSDA may decide to give special consideration to an applicant:

- a. Who is offering the service in a medically underserved area as designated by the United States Health Resources and Services Administration;

The applicant is not requesting special consideration due to serving medically underserved areas.

It appears this criterion is not applicable.

- b. Who is a "safety net hospital" or a "children's hospital" as defined by the Bureau of TennCare Essential Access Hospital payment program;

Since the applicant is not a hospital, this standard is not applicable to this proposed project.

- c. Who provides a written commitment of intention to contract with at least one TennCare MCO and, if providing adult services, to participate in the Medicare program; or

The applicant plans to contract with all TennCare Managed Care Organizations that serve the region.

Eye Surgery Center of Knoxville

CN1611-038

February 22, 2017

PAGE 7

TennCare/Medicaid-Charges will equal \$406,495 in Year One representing 5.90% of total gross revenue.

Medicare/Managed Medicare-Charges will equal \$3,864,029 representing 56% of total gross revenue.

It appears this criterion has been met.

- d. Who is proposing to use the ASTC for patients that typically require longer preparation and scanning times. The applicant shall provide in its application information supporting the additional time required per Case and the impact on the need standard.

Not applicable. The applicant is not seeking special consideration for case times.

Staff Summary

The following information is a summary of the original application and all supplemental responses. Any staff comments or notes, if applicable, will be in bold italics.

Application Synopsis

Eye Surgery Center of Knoxville, LLC is seeking approval to establish a single-specialty ambulatory surgical treatment center (ASTC) limited to the ophthalmic surgery and laser procedures not requiring general anesthesia. The proposed ASTC will consist of 4,200 square feet and will have two operating rooms (OR) and one laser procedure room (PR).

If approved, the proposed project is expected to open for service in January 2018.

Facility Information

- The total square footage of the proposed ASTC is 4,200 square feet. A floor plan drawing is included in Attachment B.IV. – Floor Plan.
- The proposed ASTC will contain two operating rooms, one laser procedure room, seven pre-op and post op semi-private recovery areas, one sterile processing room, one clean storage room, one consultation room, 30 seat waiting area, and one employee break room.

History

- The applicant has no prior Certificate of Need applications.

Eye Surgery Center of Knoxville

CN1611-038

February 22, 2017

PAGE 8

Ownership

- Eye Surgery Center of Knoxville, LLC is an active Tennessee for-profit Limited Liability Company formed in May 2016.
- Eye Surgery Center of Knoxville is owned by the following six physician partners: Thomas A. Browning, MD, (16.67%), John T. Dawson, MD (16.67%), Stephen R. Franklin, MD (16.67%), Kevin T. Gallaher, MD (16.67%), Matthew D. Lowrance, DO (16.67%), and Steven L. Sterling, MD (16.67%).

NEED

Project Need

The applicant states a Certificate of Need is being requested for the following reasons:

- The senior 65+ population within the service area is expected to increase by 15.9% from 2016 to 2020.
- Estimates suggest that by 2020 the prevalence of cataracts in the US will increase to 30.1 million and by 2032 to 38.5 million.
- The number of operating rooms/procedure rooms in ASTCs providing eye services decreased from 31 to 18 since 2013. (The applicant provided a breakdown of the reduction of the service area ophthalmic ORs on page 3 of supplemental #1.)
- There is a growing need to move cataract surgery as well as other surgery from multi-specialty ASTCs and hospital settings to single specialty ophthalmic ASTCs where efficiencies may be maximized.

Service Area Demographics

Eye Surgery Center of Knoxville's primary service area (PSA) consists of Anderson, Blount, Campbell, Grainger, Jefferson, Knox, Sevier, and Union Counties.

Highlights of the applicant's proposed service area are provided as follows:

- The total population of the PSA is estimated at 919,363 residents in CY 2016 increasing by approximately 4.6% to 961,303 residents in CY 2020.
- The overall Tennessee statewide population is projected to grow by 4.3% from 2016 to 2020.
- Residents age 65 and older account for approximately 17.4% of the total PSA population compared to 16% statewide.
- The age 65 and older resident population is expected to increase by 15.8% compared to 16% statewide from CY2016 - CY2020.
- The number of residents enrolled in TennCare is approximately 20.0% of the total PSA population compared to 22.8% statewide.

Eye Surgery Center of Knoxville

CN1611-038

February 22, 2017

PAGE 9

Service Area Historical Utilization

According to the Department of Health, in 2015 there were three licensed single-specialty ASTCs and two multi-specialty ASTCs in the 8 county service area that perform ophthalmic procedures. Please refer to the following table for the historical capacity & utilization of ASTCs offering eye surgery within the proposed service area.

Historical Capacity & Utilization of ASTCs Offering Eye Surgery within the Service Area

ASTC	County	Oper. Rms/ Proc. Rms*	2013 Cases	2014 Cases	2015 Cases			2015 Eye cases % of Total Cases	Overall % change 13'-15'
					Total Cases	OR Cases	PR Cases		
Single Specialty									
Eye Surgery Center of East Tennessee	Knox								
Ophthalmology			3,710	4,572	3,792	2,930	862	100%	+2.2%
Total Outpatient Surgeries		2/1=3	3,710	4,572	3,792	2,930	862		+2.2%
Knoxville Eye Surgery Center	Knox								
Ophthalmology			10,187	9,628	14,203	13,307	896	100%	+39%
Total Outpatient Surgeries		4/ 1 = 5	10,187	9,628	14,203	13,307	896		+39%
Southeast Eye Surgery Center	Knox								
Ophthalmology			N/A	687	2,034	1,843	191	100%	N/A
Total Outpatient Surgeries		1/1=2	N/A	687	2,034	1,843	191		N/A
Multi-Specialty									
The Eye Surgery Center of Oak Ridge	Anderson								
Ophthalmology			3,090	3112	3,228	2,205	1,023	91.76%	+4.4%
Total Outpatient Surgeries		2/1=3	3,251	3,302	3,518	2,495	1,023		+8.2%
Physicians Surgery Center of Knoxville	Knox								
Ophthalmology			581	912	497	497	0	11.11%	-14.4%
Total Outpatient Surgeries		5/0= 5	4,670	5,102	4,472	4,472			-4.2%
Total Service Area									
Ophthalmology		14 / 4 = 18	17,568	18,911	23,754	20,782	2,972	84.7%	+35.2%
Total Outpatient Surgeries			21,818	23,291	28,019	25,047	2,972		+28.4%

Source: Tennessee Department of Health, Division of Health Statistics, Joint Annual Reports

The above utilization table reflects the following:

- Overall, the proposed 8 County service area experienced a 28.4% increase in ASTC surgical cases (OR + PR) from 21,818 in 2013 to 28,019 in 2015.
- Ophthalmic surgical cases (OR + PR) increased 35.2% from 17,568 in 2013 to 23,754 in 2015.
- Overall the ophthalmic surgical volume % changes from 2013 to 2015 ranged from -14.4% (Physicians Surgery Center of Knoxville) to +39.9% (Knoxville Eye Surgery Center).

Eye Surgery Center of Knoxville

CN1611-038

February 22, 2017

PAGE 10

Below is the utilization of the ambulatory surgical treatment centers where eye surgeries were performed in 2015 and how that utilization compares to optimal utilization standards found in the State Health Plan:

ASTC	County	Operating Rooms 2015			Procedure Rooms 2015		
		# ORs	Cases	% of 884 Standard	# PRs	Cases	% pf 1,867 Standard
Single Specialty							
Eye Surgery Center of East Tennessee	Knox	2	2,930	166%	1	862	46.2%
Knoxville Eye Surgery Center	Knox	4	13,307	376%	1	896	48%
Southeast Eye Surgery Center	Knox	1	1,843	208%	1	191	10.2%
Subtotal (Single-Specialty)		7	18,080	292%	3	1,949	34.8%
Multi-Specialty							
The Eye Surgery Center of Oak Ridge (Multi-Specialty includes eye and plastic)	Anderson	2	2,495	141%	1	1,023	54.8%
Physicians Surgery Center of Knoxville	Knox	5	4,472	101.2%	N/A		
Subtotal (Multi-Specialty)		7	6,967	113%	1	1,023	54.8%
Grand Total Surgeries		14	25,047	202%	4	2,972	39.8%
Cases per OR/PR			1,789	202%		743	39.8%

Source: CN1611-038 Supplemental #2

- 2015 service area utilization for single specialty ASTCs that performed eye surgeries calculated at 292.2% of the 884 cases per operating room standard and 34.8% of the 1,867 cases per procedure room as the baseline numbers for purposes of determining need as a percentage of optimum utilization.
- 2015 service area utilization for multi-specialty ASTCs that performed eye surgeries calculated at 113% of the 884 cases per operating room standard and 54.8% of the 1,867 cases per procedure room as the baseline numbers for purposes of determining need as a percentage of optimum utilization.

Applicant's Projected Utilization

The following is the Eye Surgery Center of Knoxville's Ophthalmic projections for Year One and Year Two.

Specialty	# of Surgeons	Year 1 OR Cases	Year 1 PR Cases	Year 2 OR Cases	Year 2 PR Cases
Ophthalmic	6	3,200	814	3,523	893

Source: CN1611-038

- In Year One, the projected 3,200 OR cases will include the following ophthalmic surgical types: Cataract Surgery-3,156 cases (98.6%); Glaucoma Surgery 12 cases (0.40%), other eye surgeries-32 cases (1%).
- In Year One, the projected 814 PR cases will include the following ophthalmic procedure types: YAG Laser Procedures-767 cases (94.2%); Retina Laser Procedures 28 procedures (3.5%); and SLT Laser Procedures-19 cases (2.3%).

Eye Surgery Center of Knoxville

CN1611-038

February 22, 2017

PAGE 11

- Total operating room cases are projected to increase from 3,200 cases in Year One to 3,523 cases in Year Two, a 10% increase.
- Total procedure room cases are projected to increase from 814 cases in Year One to 893 cases in Year Two, a 9.3% increase.

ECONOMIC FEASIBILITY

Project Cost

Major costs of the \$1,850,000 total estimated project cost are as follows:

- Construction Costs-\$735,000 or 39.7% of the total project cost.
- Moveable Equipment of \$500,000 or approximately 27% of the total project cost.
- Acquisition of Site- \$270,000 or approximately 14.5% of total cost.
- For other details on Project Cost, see the Project Cost Chart on page 37 of the application.

Financing

- The applicant intends to finance the project through a commercial bank loan from First Citizens Bank.
- A copy of a letter dated September 28, 2016 from the Senior Vice President of First Citizens Bank indicating the bank's interest in providing a 15 year, 3% interest rate, \$1,850,000 loan to the Eye Surgery Center of Knoxville is included as Attachment B.2.

The Eye Surgery Center of Knoxville's unaudited financial statements as of June 30, 2016 indicated total current assets and current liabilities of \$20,662 for an entity that had an inception date of 5/24/2016. Financial statements from the private practices of the physician members of the proposed project were included in the application.

Historical Data Chart

The applicant provided a Historical Data Chart based on the combined utilization, revenue, and expenses of the four ophthalmic medical practices associated with the proposed project.

- The combined data reported Net Balance (Net operating income after annual principal debt repayment) of \$22,961 in FY2013, \$167,910 in FY2014, and \$362,697 in FY2014.

Projected Data Chart

The applicant projects \$6,889,740 in total gross revenue on 4,014 surgical cases during the first year of operation and \$7,581,091 on 4,416 surgical cases in Year Two (approximately \$1,716 per case). The Projected Data Chart reflects the following:

- Net operating income less capital expenditures for the applicant will equal \$995,229 in Year One increasing to \$1,166,744 in Year Two.

Eye Surgery Center of Knoxville

CN1611-038

February 22, 2017

PAGE 12

- Net operating revenue after bad debt and contractual adjustments is expected to reach \$3,202,462 or approximately 42.2% of total gross revenue in Year Two.
- The applicant designated \$59,677 in charity care in Year 1 representing 34.7 surgical cases.

Charges

In Year One of the proposed project, the average charge per surgical case is as follows:

- Average Gross Charge
\$1,716
- Average Deduction from Operating Revenue
\$991
- Average Net Charge
\$725

Payor Mix

- TennCare/Medicaid-Charges will equal \$406,495 in Year One representing 5.9% of total gross revenue.
- Medicare/Managed Medicare- Charges will equal \$3,864,029 representing 56% of total gross revenue.

PROVIDE HEALTHCARE THAT MEETS APPROPRIATE QUALITY STANDARDS

Licensure

- The applicant will seek licensure by the Tennessee Department of Health as a single-specialty ASTC limited to ophthalmic procedures.

Certification

- The applicant plans to apply for Medicare and Medicaid certification.

Accreditation

- The applicant will apply for accreditation from the American Association for Ambulatory Health Care as an Ambulatory Surgery Center limited to Ophthalmology (Single Specialty).

Eye Surgery Center of Knoxville

CN1611-038

February 22, 2017

PAGE 13

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTHCARE

Agreements

- The applicant will seek transfer agreements with both Covenant Health and Tennova Hospital systems where the physicians currently have admitting privileges.

Impact on Existing Providers

- Based upon existing services utilization, the proposed project should not impact the existing single/dual specialty ASTCs or hospitals in the service area.
- A chart is provided on page 21R that outlines the potential impact the proposed ASTC will have on existing ASTCs.

The following chart represents the ophthalmic surgical and eye laser procedure cases performed by the applicant (six ophthalmic surgeons representing the four Knoxville-based medical ophthalmic practices (the ESKG Group)) for the period 2013-2015.

Eye Surgery Center of Knoxville Impact on Existing Providers

Provider	County	2013 Cases		2014 Cases		2015 Cases		Overall % change 13'-15'	
		OR Cases	PR Cases	OR Cases	PR Cases	OR Cases	PR Cases	OR Cases	PR Cases
Knoxville Eye Surgery Center	Knox	860	200	880	225	911	250	+5.9%	+25%
Physicians Surgery Center of Knoxville	Knox	225		279		379		+68.4%	
St. Mary's Ambulatory Ctr. (Closed in 2013. Now part of Tennova PRMC)	Knox	1,229						N/A	
Tennova Physicians Regional Medical Center (PRMC)	Knox	1	43	1,246		1,343		+7.7 14'-15' change	
Tennova North Knoxville Medical Center	Knox		300		341		329		+9.6%
Tennova LaFollette Medical Center-Hospital	Campbell	154		202		277		+80%	
Ophthalmic Medical Offices of ESKG Group	Knox		102		153		160	+56.8%	
Total		2,469	645	2,607	719	2,910	739	+17.9%	+14.6%
Grand Total OR + PR		3,114		3,326		3,649		+17.2%	

Source: CN1611-038, Page 33

- Of the year 2015 2,910 ophthalmic surgical operating room (OR) cases performed by the applicant's six physicians, 1,343 or 46.1% occurred at Tennova Physicians Regional Medical Center (Knox County).

Eye Surgery Center of Knoxville

CN1611-038

February 22, 2017

PAGE 14

- Of the year 2015 739 overall ophthalmic procedure room (PR) cases performed by the applicant's six physicians, 329 or 44.5% occurred at Tennova North Knoxville Medical Center (Knox County).

Staffing

The applicant's proposed direct patient care staffing in Year One includes the following:

Position Type	Year One FTEs
Registered Nurses	3.0
Surgical Technicians	2.4
Administrative Staff	7.4
Total	12.8

Source: CN1611-038

Corporate documentation, real estate lease, and detailed demographic information are on file at the Agency office and will be available at the Agency meeting.

Should the Agency vote to approve this project, the CON would expire in two years.

CERTIFICATE OF NEED INFORMATION FOR THE APPLICANT:

There are no other Letters of Intent, pending applications, denied applications, or outstanding Certificates of Need for this applicant.

CERTIFICATE OF NEED INFORMATION FOR OTHER SERVICE AREA FACILITIES:

There are no other Letters of Intent, pending applications, denied applications, or outstanding Certificates of Need for similar service area entities proposing this type of service.

PLEASE REFER TO THE REPORT BY THE DEPARTMENT OF HEALTH, DIVISION OF HEALTH STATISTICS, FOR A DETAILED ANALYSIS OF THE STATUTORY CRITERIA OF NEED, ECONOMIC FEASIBILITY, HEALTH CARE THAT MEETS APPROPRIATE QUALITY STANDARDS, AND CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE IN THE AREA FOR THIS PROJECT. THAT REPORT IS ATTACHED TO THIS SUMMARY IMMEDIATELY FOLLOWING THE COLOR DIVIDER PAGE.

PME
2/3/2017

Eye Surgery Center of Knoxville
CN1611-038
February 22, 2017
PAGE 15

LETTER OF INTENT



**State of Tennessee
Health Services and Development Agency**

Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

www.tn.gov/hsda

Phone: 615-741-2364

Fax: 615-741-9884

LETTER OF INTENT

The Publication of Intent is to be published in the **Knoxville News-Sentinel** which is a newspaper

(Name of Newspaper)

of general circulation in

Knox County, Tennessee, on or before

November 1st, 2016,

(Month / day) (Year)

for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency, that:

Eye Surgery Center of Knoxville,

(Name of Applicant)

a proposed ambulatory surgical treatment center to be

(Facility Type-Existing)

owned and managed by Eye Surgery Center of Knoxville, LLC (a Limited Liability Company) intends to file an application for a Certificate of Need for the establishment of a single specialty ophthalmic ambulatory surgery center at a site on the south side of Dannaher Drive (without an address currently) in Powell, Knox County, TN approximately 0.2 miles east of the owner's office at 7800 Conner Road, Powell, TN 37849. The estimated cost for the project is approximately \$1,850,000 and the facility will seek licensure as an ambulatory surgical treatment center limited to ophthalmology, providing eye and related laser procedures. The facility will have two (2) operating rooms and one (1) laser procedure room. The project does not contain major medical equipment, initiate or discontinue any other health service, and will not affect any licensed bed complements.

The anticipated date of filing the application is **November 2, 2016.**

The contact person for this project is **Stephen H. Rudolph, CPA** who may be reached at **Eyecare Resources, LLC, P.O. Box 381342, Germantown, TN 38183-1342; 901-219-0173.**

Stephen H. Rudolph
(Signature)

11/1/16
(Date)

shrudolphs@yahoo.com

(E-mail Address)

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243

The published Letter of intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

COPY

Eye Surgery Center of
Knoxville

CN1611-038

**Health Services and Development Agency**

Andrew Jackson Building, 9th Floor, 502 Deaderick Street, Nashville, TN 37243

www.tn.gov/hsda Phone: 615-741-2364 Fax: 615-741-9884**CERTIFICATE OF NEED APPLICATION****SECTION A: APPLICANT PROFILE****1. Name of Facility, Agency, or Institution**Eye Surgery Center of Knoxville

Name

Unaddressed site on Dannaher Drive

Street or Route

Knox

County

Powell

City

TN

State

37846

Zip Code

Website address: N/A

Note: The facility's name and address **must be** the name and address of the project and **must be** consistent with the Publication of Intent.

2. Contact Person Available for Responses to QuestionsStephen H. Rudolph

Name

CPA

Title

Eyecare Resources, LLC

Company Name

shrudolphsr@yahoo.com

Email address

P.O. BOX 381342

Street or Route

Germantown

City

TN

State

38183-1342

Zip Code

Consultant

Association with Owner

901-219-0173

Phone Number

N/A

Fax Number

NOTE: **Section A** is intended to give the applicant an opportunity to describe the project. **Section B** addresses how the project relates to the criteria for a Certificate of Need by addressing: Need, Economic Feasibility, Contribution to the Orderly Development of Health Care, and Quality Measures.

20

Please answer all questions on 8½" X 11" ~~white~~ paper, clearly typed and spaced, single or double-sided, in order and sequentially numbered. In answering, please type the question and the response. All questions must be answered. If an item does not apply, please indicate "N/A" (not applicable). **Attach appropriate documentation as an Appendix at the end of the application and reference the applicable Item Number on the attachment, i.e., Attachment A.1, A.2, etc. The last page of the application should be a completed signed and notarized affidavit.**

3. SECTION A: EXECUTIVE SUMMARY

A. Overview

Please provide an overview not to exceed three pages in total explaining each numbered point.

- 1) Description – Address the establishment of a health care institution, initiation of health services, bed complement changes, and/or how this project relates to any other outstanding but unimplemented certificates of need held by the applicant;
- 2) Ownership structure;
- 3) Service area;
- 4) Existing similar service providers;
- 5) Project cost;
- 6) Funding;
- 7) Financial Feasibility including when the proposal will realize a positive financial margin; and
- 8) Staffing.

RESPONSE:

Description of Project- The Applicant-Eye Surgery Center of Knoxville, LLC is seeking approval to establish a new single specialty ambulatory surgical treatment center (“ASTC”) in Knox County, TN, for the purpose of performing ophthalmic surgical cases and related ophthalmic laser procedures. Initially, there will be six (6) Board certified ophthalmologists from four (4) well established ophthalmic practices in Knox County, TN, that will be performing the eye surgery within the facility. The participating physicians are Stephen Franklin, MD, John Dawson, MD, Kevin Gallaher, MD, Steven Sterling, MD, Tom Browning, MD, and Matthew Lowrance, DO. These six ophthalmologists will also constitute the ownership of the ASTC. The facility will be limited to the performance of ophthalmic surgery and laser procedures not requiring general anesthesia. The proposed ASTC site is located on the south side of Dannaher Drive (without an address currently) on a 1.6 acre parcel in the North Knoxville area of Powell, Knox County, TN. This location is approximately 0.2 miles east of the owner’s office located within the Southeast Eye Center-Medical office building at 7800 Conner Road, Powell, TN 37849 which currently houses two of the four ophthalmic medical practices (Center for Sight, PC & East Tennessee Eye Surgeons, PC) associated with the project. The two other Knoxville-based practices associated with the project are each located approximately 11 miles from the proposed ASTC site. The proposed freestanding ambulatory surgery center will be approximately 4,200 square feet and will have two (2) operating rooms and one (1) laser procedure room for performing the ophthalmic surgery. The Applicant is a new institution and the project does not include any major medical equipment or require bed complement changes and holds no other outstanding certificates of need.

Ownership Structure- The facility will be owned by Eye Surgery Center of Knoxville, LLC (ESCK), a Tennessee Limited Liability Company. The LLC will be managed by its member owners who will be performing the surgery in the Facility as well. The member owners and their relationship to the four ophthalmic medical practices (referred to as the “ESCK group”) are set forth in the chart below.

OWNERSHIP STRUCTURE CHART FOR EYE SURGERY CENTER OF KNOXVILLE, LLC

AFFILIATED MEDICAL PRACTICE ENTITY:	PARTICIPATING OWNER & SURGEON IN ESCK-ASTC:
<i>Center for Sight, PC</i>	
Physician Owners:	
Stephen R. Franklin, MD	Stephen R. Franklin, MD
Kenneth L. Raulston, MD	
7800 Conner Road	
Powell, Tennessee 37849	
<i>East Tennessee Eye Surgeons, PC</i>	
Physician Owners:	
John T. Dawson, MD	John T. Dawson, MD
Kevin T. Gallaher, MD	Kevin T. Gallaher, MD
7800 Conner Road	
Powell, Tennessee 37849	
<i>Steven L. Sterling, MD, PC</i>	
Physician Owner:	
Steven L. Sterling, MD	Steven L. Sterling, MD
2607 Kingston Pike-Suite 182	
Knoxville, Tennessee 37919	
<i>Eye Care Centers, PLLC dba</i>	
<i>Tennessee Eye Care</i>	
Physician Owners:	
Thomas A. Browning, MD	Thomas A. Browning, MD
Matthew D. Lowrance, DO	Matthew D. Lowrance, DO
6354 Lonas Spring Drive	
Knoxville, Tennessee 37909	

Note: Dr. Kenneth Raulston is an owner of Center for Sight, PC, but will not be an owner in Eye Surgery Center of Knoxville, LLC and will not be performing surgery within the ASTC.

Service Area- The Service Area for this project includes eight counties in Tennessee-Anderson, Blount, Campbell, Grainger, Jefferson, Knox, Sevier & Union. The ASTC proposed site is ideally located in the North Knoxville area of Knox County to service this market and the development of this ASTC will provide a convenient quality eye surgery facility for patients referred from the four ophthalmic practices covering this growing market. Based on utilization of ambulatory surgical and hospital outpatient services provided by the ESCK group physicians in 2015, 86.35% of the patients served originated from this eight county Service Area.

Existing similar service providers- The following ASTCs perform eye services in the Service Area according to the Joint Annual Reports filed for 2015-TN HSDA:

Eye Surgery Center of Oak Ridge-Anderson County- 2 OR/1 Procedure Room Multi-Specialty

Physicians Surgery Center of Knoxville-Knox County -5 OR/ No Procedure Room-Multi-Specialty

Eye Surgery Center of East Tennessee-Knox County-2 OR/1 Procedure Room-Eye Specialty

Knoxville Eye Surgery Center-Knox County-4 OR/1 Procedure Room-Eye Specialty

Southeast Eye Surgery Center-Knox County-1 OR/1 Procedure Room-Eye Specialty (closed staff)

All of the Eye Specialty ASTCs are highly utilized, at full capacity, and/or are closed staff. None of these existing ASTCs can accommodate the total need for the ophthalmic and related eye laser procedures performed by the ESCK group within the Service Area.

Project Cost- The Applicant will be constructing a new facility on Dannaher Drive in Powell, Knox County, TN. The total land, site development and building construction costs are estimated at \$1,200,000 for the approximate 4,200 sq. ft. facility to be developed on the 1.6 acre ASTC site. Equipment Costs are estimated at \$500,000 and professional fees including architect, legal, engineering, consulting fees and CON fees are estimated to cost \$150,000. The total cost for the project is estimated to be \$1,850,000.

Funding- First Citizens Bank will provide 100% financing of the project's total cost of \$1,850,000. The bank financing will provide funding through a permanent construction loan for \$1,200,000-15 Yr term/with 20 Yr-monthly amortization, an equipment loan for \$500,000 with 84-month term, and a working line of credit for \$150,000 to fund the estimated start-up and organizational costs including all professional fees.

Financial Feasibility- The proposed Project will realize a profitable operating margin on an immediate basis once operations are initiated. The projected surgical case load is 4,014 in Year 1 and 4,416 in Year 2 of operation which will generate positive cash flow for the Project and net operating margins in excess of 46% in each of the first two years.

Staffing- The Medical Staff for the single specialty ophthalmic ASTC will initially consist of the six Board Certified ophthalmologists (the "ESCK group") that will also serve as Member managers and physician owners of the project. The Applicant anticipates initially serving the patients from the four

medical ophthalmic practices from the ESCCK group but will consider providing Medical Staff surgical privileges for the ASTC to other qualified ophthalmic physicians once the appropriate physician credentialing and admission policy for surgical privileges has been established by the organization. The ASTC will require 7.4 FTES consisting of three Registered Nurses (RNs), three surgical technicians (part-time), and two administrative (non-patient care) positions. The ASTC intends to contract with other qualified Professional Staff to provide professional anesthesia care at the facility.

B. Rationale for Approval

A certificate of need can only be granted when a project is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, will provide health care that meets appropriate quality standards, and will contribute to the orderly development of adequate and effective health care in the service area. This section should provide rationale for each criterion using the data and information points provided in Section B. of this application. Please summarize in one page or less each of the criteria:

- 1) Need;
- 2) Economic Feasibility;
- 3) Appropriate Quality Standards; and
- 4) Orderly Development to adequate and effective health care.

RESPONSE:

- 1) ***Need:** There are several critical factors to consider in addressing the current and future needs for providing health care and more specifically eye care. Presently and for the foreseeable future there will be more seniors (65+ age group) and fewer doctors. The growth rate in the number of ophthalmologists at present is flat or 1% which has already created some serious labor shortages and this shortage is expected to escalate over the next ten years. The baby boomer generation continues to move towards the elder age bracket and this combined with lengthening life expectancy are major indicators that a dramatic increase in patients with age-related eye diseases will occur over the next 10 to 30 years. According to recent reports and studies conducted by Prevent Blindness America, the leading causes of vision impairment and blindness in the U.S. are primarily age-related eye diseases including age-related macular degeneration, cataract, diabetic retinopathy, and glaucoma. Cataracts are the most common cause of preventable visual impairment and it is estimated that currently 22 million Americans over the age of 40 have a cataract and by age 80, half of all Americans have a cataract. Estimates suggest that by 2020 the prevalence of cataracts in the U.S. will increase to 30.1million and by 2032 to 38.5 million. There are currently about 9,000 cataract surgeons treating about 4 million cataracts per year. The demographics of Tennessee and the proposed project's Service Area mirror the national aging trends of the population. The senior population (65+ age group) within the Service Area is expected to increase by 15.9% from 2016 to 2020.*

It will be of increasing importance to be financially efficient, cost-effective and maximize the ophthalmologists productivity in addressing the patient needs in this evolving healthcare environment. There is a growing need to move cataract surgery as well as other eye surgery from

November 21, 2016

1:18 pm

multi-specialty ASTCs and hospital settings to single specialty ophthalmic ASTCs where efficiency may be maximized. Ophthalmic ASTCs are able to concentrate on a subset of procedures and gain efficiencies in equipment and technology, supply cost management, training of staff, and care of the patients in the preoperative and postoperative care area. One of the best ways to increase efficiency while addressing the growing needs for cataract and other eye surgery over the next decade will be to consolidate these ophthalmic cases within the Service Area into the Applicant's proposed single specialty ophthalmic ASTC.

The ESCK group of six ophthalmic surgeons currently perform their ophthalmic surgical cases and laser eye procedures within the Service Area in three different hospital locations, one multi-specialty ASTC, and one single specialty ophthalmic ASTC. Some of the eye laser procedures are currently performed at their medical office. Several of these physicians provide eye care and perform surgery in rural hospitals beyond the Service Area. This proposed ASTC is intended to serve the Knoxville-based practice locations for the ESCK group within the Service Area and the utilization, statistics, and projections in this application do not include these patients served beyond the Service Area. None of the existing ASTCs or hospital locations can address the total comprehensive eye care needs of the patients and ophthalmic surgeons within the ESCK group.

There is a definitive need for additional surgical capacity in this Service Area. The number of operating rooms/procedures capacity in ASTCs providing eye services decreased from 31 to 18 since 2013. The existing ASTCs providing eye services are highly utilized and significantly exceed the State Guidelines. For the existing active ASTCs providing eye services within the Service Area the aggregate totals for 2015 were: OR (Operating Room) Utilization as a % of HSDA State Guidelines- 202.38% - ave.1789 cases/OR & PR (Procedure Room)- 39.80%-ave.743 cases/PR. The proposed project complies with State Guidelines and will not adversely affect the existing facilities.

The Applicant's goal is to increase the efficiency of the services that the ESCK group of physicians can deliver by providing the entire scope of ophthalmic surgery and eye laser procedures to its patients at one convenient location in a quality care, cost-effective environment. HSDA approval of this ASTC development will enable this group to accomplish this goal and provide the latest technological advances in eye surgery to their patients.

2) Economic Feasibility: The ASTC's projected surgical caseloads from the six ophthalmic surgeons in the ESCK group for the first two years of operation -4,014 Cases-YR 1 & 4,416 will generate significant positive cash flow for the Project. The net operating margin for the project is projected to exceed 46% in each year. The funding requirements for Applicant's total project cost of \$1,850,000 have been arranged through bank financing available from First Citizens Bank-Knoxville on favorable terms pending HSDA approval. The six Board Certified ophthalmologists-ESCK group and their respective practices have continued to grow in patient volume and the surgical volume they generate will assure economic feasibility of the project. The single specialty ophthalmic ASTC facility can be developed at a reasonable cost and designed to achieve maximum operational efficiency and utilization at competitive charges. The accessibility and convenience of the facility for both physicians and their patients will also contribute to the project's success and overall economic feasibility.

3) Appropriate Quality Standards: Each of the four ophthalmic medical practices associated with the project have been successfully providing quality eye care services to patients in the Knoxville area for over twenty years. The six ophthalmic surgeons are all Board-certified and highly respected within the Knoxville healthcare community for providing quality eye care and surgery - Stephen Franklin, MD, John Dawson, MD, Kevin Gallaher, MD, Steven Sterling, MD, Tom Browning, MD, and Matthew Lowrance, DO. In addition, Dr. John Dawson is fellowship trained as a subspecialist in cornea and anterior segment surgery. Dr. Tom Browning and Dr. Matthew Lowrance are fellowship trained as subspecialists in medical retina. The Applicant's group is committed to excellence and will seek accreditation from Accreditation Association of Ambulatory Health Care (AAAHC) and will maintain the highest degree in standard of care for the patients they serve within the Facility.

4) Orderly Development to adequate and effective health care: *The surgical capacity of the existing ASTCs providing eye services within the Applicant's Eight County Service Area is currently inadequate to provide effective health care for the aging population and the associated high prevalence of age-related eye diseases. The existing ophthalmic ASTCs are heavily utilized. The best solution for addressing this issue is to provide additional surgical capacity through the approval of cost-effective single specialty ophthalmic ASTC facilities designed for both patient and physician convenience, accessibility, and efficiency. The approval of this project will allow the six ophthalmic surgeons within the ESCK group to maximize their productivity and expand surgical capacity within the Service Area to a more appropriate level while addressing the growth in eye surgery required for this aging population.*

C. Consent Calendar Justification

If Consent Calendar is requested, please provide the rationale for an expedited review.

A request for Consent Calendar must be in the form of a written communication to the Agency's Executive Director at the time the application is filed.

RESPONSE: *Not Applicable-N/A*

Owner of the Facility, Agency or InstitutionA. Eye Surgery Center of Knoxville, LLC865-546-7140

Name

Phone Number

7800 Conner RoadKnox

Street or Route

County

KnoxvilleTN37846

City

State

Zip Code

B. Type of Ownership of Control (Check One)

A. Sole Proprietorship _____

F. Government (State of TN or _____
Political Subdivision)

B. Partnership _____

G. Joint Venture _____

C. Limited Partnership _____

H. Limited Liability Company X

D. Corporation (For Profit) _____

I. Other (Specify) _____

E. Corporation (Not-for-Profit) _____

Attach a copy of the partnership agreement, or corporate charter and certificate of corporate existence. Please provide documentation of the active status of the entity from the Tennessee Secretary of State's web-site at <https://tnbear.tn.gov/ECommerce/FilingSearch.aspx>. **Attachment Section A-4A.**

Describe the existing or proposed ownership structure of the applicant, including an ownership structure organizational chart. Explain the corporate structure and the manner in which all entities of the ownership structure relate to the applicant. As applicable, identify the members of the ownership entity and each member's percentage of ownership, for those members with 5% ownership (direct or indirect) interest.

RESPONSE: See Attachment Section A-4A.

5. Name of Management/Operating Entity (If Applicable)

Name _____

Street or Route _____

County _____

City _____

State _____

Zip Code _____

Website address: _____

For new facilities or existing facilities without a current management agreement, attach a copy of a draft management agreement that at least includes the anticipated scope of management services to be provided, the anticipated term of the agreement, and the anticipated management fee payment methodology and schedule. For facilities with existing management agreements, attach a copy of the fully executed final contract. **Attachment Section A-5.** **RESPONSE:** N/A

6A. Legal Interest in the Site of the Institution (Check One)

- | | | | |
|-------------------------|--------------|--------------------|-------|
| A. Ownership | _____ | D. Option to Lease | _____ |
| B. Option to Purchase | <u> X </u> | E. Other (Specify) | _____ |
| C. Lease of _____ Years | _____ | | _____ |

Check appropriate line above: For applicants or applicant's parent company/owner that currently own the building/land for the project location, attach a copy of the title/deed. For applicants or applicant's parent company/owner that currently lease the building/land for the project location, attach a copy of the fully executed lease agreement. For projects where the location of the project has not been secured, attach a fully executed document including Option to Purchase Agreement, Option to Lease Agreement, or other appropriate documentation. Option to Purchase Agreements **must include** anticipated purchase price. Lease/Option to Lease Agreements **must include** the actual/anticipated term of the agreement **and** actual/anticipated lease expense. The legal interests described herein **must be valid** on the date of the Agency's consideration of the certificate of need application.

6B. Attach a copy of the site's plot plan, floor plan, and if applicable, public transportation route to and from the site on an 8 1/2" x 11" sheet of white paper, single or double-sided. DO NOT SUBMIT BLUEPRINTS. Simple line drawings should be submitted and need not be drawn to scale.

- 1) Plot Plan **must include**:
 - a. Size of site (*in acres*);
 - b. Location of structure on the site;
 - c. Location of the proposed construction/renovation; and
 - d. Names of streets, roads or highway that cross or border the site.
- 2) Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. On an 8 1/2 by 11 sheet of paper or as many as necessary to illustrate the floor plan.
- 3) Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.

RESPONSE:

Attachment Section A-6A, 6B-1 a-d, 6B-2, 6B-3.

See Attachments A-6A, 6B-1 a-d, 6B-2, 6B-3.

29

RESPONSE: The Project site has excellent accessibility for both the patients and the ESCK group of physicians associated with the proposed ASTC. The location on Dannaheer Drive is less than 5 minutes from Interstate-75 Exit #112-Emory Road (Hwy 131) Powell TN. The proximity to Interstate 75 and Hwy 131 enhances the access to major communities in the seven other counties surrounding Knox County which are included in the Applicant's Service Area. The Schedule below indicates the proximity of the ASTC site to the practice locations associated with the Project.

PROXIMITY OF PROJECT ASTC (DANNAHER DR-POWELL, TN) TO ESCK GROUP OPHTHALMIC MEDICAL PRACTICES			Distance -	Drive Time-
Practice & Location	City (TN)	County (TN)	Miles	Minutes
Center for Sight, PC 7800 Conner Road	Powell	Knox	0.2	1
East Tennessee Eye Surgeons, PC 7800 Conner Road	Powell	Knox	0.2	1
Steven L. Sterling, MD, PC 2607 Kingston Pike-Ste #182	Knoxville	Knox	10.3	14
Eye Care Centers, PLLC dba Tennessee Eye Care 6354 Lonas Spring Drive	Knoxville	Knox	11.1	18

Source of Information: Google Maps, October 2016

7. **Type of Institution** (Check as appropriate—more than one response may apply)

- | | |
|--|--|
| A. Hospital (Specify) _____ | H. Nursing Home _____ |
| B. Ambulatory Surgical Treatment Center (ASTC), Multi-Specialty _____ | I. Outpatient Diagnostic Center _____ |
| C. ASTC, Single Specialty <u>X</u> _____ | J. Rehabilitation Facility _____ |
| D. Home Health Agency _____ | K. Residential Hospice _____ |
| E. Hospice _____ | L. Nonresidential Substitution-Based Treatment Center for Opiate Addiction _____ |
| F. Mental Health Hospital _____ | M. Other (Specify) _____ |
| G. Intellectual Disability Institutional Habilitation Facility ICF/IID _____ | |

Check appropriate lines(s).

8. **Purpose of Review** (Check appropriate lines(s) – more than one response may apply)

- | | |
|--|--|
| A. New Institution <u>X</u> _____ | F. Change in Bed Complement _____
[Please note the type of change by underlining the appropriate response: Increase, Decrease, Designation, Distribution, Conversion, Relocation] |
| B. Modifying an ASTC with limitation still required per CON _____ | G. Satellite Emergency Dept. _____ |
| C. Addition of MRI Unit _____ | H. Change of Location _____ |
| D. Pediatric MRI _____ | I. Other (Specify) _____ |
| E. Initiation of Health Care Service as defined in T.C.A. §68-11-1607(4) (Specify) _____ | |

9. **Medicaid/TennCare, Medicare Participation**

MCO Contracts [Check all that apply] ****To be applied for by Applicant

X AmeriGroup X United Healthcare Community Plan X BlueCare X TennCare Select

Medicare Provider Number To be applied for by Applicant _____

Medicaid Provider Number To be applied for by Applicant _____

Certification Type Ambulatory Surgery Center Treatment Center-Single Specialty _____

If a new facility, will certification be sought for Medicare and/or Medicaid/TennCare?

Medicare X Yes No N/A Medicaid/TennCare X Yes No N/A

10.

Bed Complement Data

A.

Please indicate current and proposed distribution and certification of facility beds.

RESPONSE: N/A

	<u>Current Licensed</u>	<u>Beds Staffed</u>	<u>Beds Proposed</u>	<u>*Beds Approved</u>	<u>**Beds Exempted</u>	<u>TOTAL Beds at Completion</u>
1) Medical						
2) Surgical						
3) ICU/CCU						
4) Obstetrical						
5) NICU						
6) Pediatric						
7) Adult Psychiatric						
8) Geriatric Psychiatric						
9) Child/Adolescent Psychiatric						
10) Rehabilitation						
11) Adult Chemical Dependency						
12) Child/Adolescent Chemical Dependency						
13) Long-Term Care Hospital						
14) Swing Beds						
15) Nursing Home – SNF (Medicare only)						
16) Nursing Home – NF (Medicaid only)						
17) Nursing Home – SNF/NF (dually certified Medicare/Medicaid)						
18) Nursing Home – Licensed (non-certified)						
19) ICF/IID						
20) Residential Hospice						
TOTAL						
*Beds approved but not yet in service **Beds exempted under 10% per 3 year provision						

B. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the applicant facility's existing services. Attachment Section A-10. **RESPONSE:** N/A

C. Please identify all the applicant's outstanding Certificate of Need projects that have a licensed bed change component. If applicable, complete chart below. **RESPONSE:** N/A

<u>CON Number(s)</u>	<u>CON Expiration Date</u>	<u>Total Licensed Beds Approved</u>

12. Square Footage and Cost Per Square Footage Chart 32

Unit/Department	Existing Location	Existing SF	Temporary Location	Proposed Final Location	Proposed Final Square Footage		
					Renovated	New	Total
<i>Eye Surgery Center of Knoxville- ASTC (SS)</i>	<i>N/A</i>	<i>-0-</i>		<i>Dannaher Dr.- Powell, TN</i>		<i>4,200</i>	<i>4,200</i>
Unit/Department GSF Sub-Total						<i>4,200</i>	<i>4,200</i>
Other GSF Total							
Total GSF						<i>4,200</i>	<i>4,200</i>
*Total Cost						<i>\$735,000.00</i>	<i>\$735,000.00</i>
**Cost Per Square Foot						<i>\$175.00</i>	<i>\$175.00</i>
**Note- Insufficient Data-Not available for ASTCs-2013 to 2015 in Applicant Toolbox. Cost per Square Foot Is Within Which Range (For quartile ranges, please refer to the Applicant's Toolbox on www.tn.gov/hsda)					<input type="checkbox"/> Below 1 st Quartile <input type="checkbox"/> Between 1 st and 2 nd Quartile <input type="checkbox"/> Between 2 nd and 3 rd Quartile <input type="checkbox"/> Above 3 rd Quartile	<input type="checkbox"/> Below 1 st Quartile <input type="checkbox"/> Between 1 st and 2 nd Quartile <input type="checkbox"/> Between 2 nd and 3 rd Quartile <input type="checkbox"/> Above 3 rd Quartile	<input type="checkbox"/> Below 1 st Quartile <input type="checkbox"/> Between 1 st and 2 nd Quartile <input type="checkbox"/> Between 2 nd and 3 rd Quartile <input type="checkbox"/> Above 3 rd Quartile

* The Total Construction Cost should equal the Construction Cost reported on line A5 of the Project Cost Chart.

** Cost per Square Foot is the construction cost divided by the square feet. Please do not include contingency costs.

11. Home Health Care Organizations – Home Health Agency, Hospice Agency (excluding Residential Hospice), identify the following by checking all that apply: **RESPONSE:** N/A

	Existing Licensed County	Parent Office County	Proposed Licensed County		Existing Licensed County	Parent Office County	Proposed Licensed County
Anderson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Lauderdale	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bedford	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Lawrence	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Benton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Lewis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bledsoe	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Lincoln	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Blount	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Loudon	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bradley	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	McMinn	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Campbell	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	McNairy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cannon	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Macon	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Carroll	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Madison	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Carter	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Marion	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cheatham	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Marshall	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Chester	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Mauzy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Claiborne	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Meigs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Clay	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Monroe	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cocke	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Montgomery	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Coffee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Moore	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Crockett	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Morgan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cumberland	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Obion	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Davidson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Overton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Decatur	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Perry	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
DeKalb	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Pickett	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Dickson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Polk	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Dyer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Putnam	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fayette	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Rhea	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fentress	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Roane	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Franklin	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Robertson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Gibson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Rutherford	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Giles	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Scott	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Grainger	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Sequatchie	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Greene	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Sevier	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Grundy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Shelby	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hamblen	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Smith	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hamilton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Stewart	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hancock	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Sullivan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hardeman	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Sumner	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hardin	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Tipton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hawkins	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Trousdale	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Haywood	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Unicoi	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Henderson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Union	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Henry	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Van Buren	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hickman	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Warren	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Houston	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Washington	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Humphreys	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Wayne	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Jackson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Weakley	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Jefferson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	White	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Johnson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Williamson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Knox	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Wilson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lake	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

13. MRI, PET, and/or Linear Accelerator

- Describe the acquisition of any Magnetic Resonance Imaging (MRI) scanner that is adding a MRI scanner in counties with population less than 250,000 or initiation of pediatric MRI in counties with population greater than 250,000 and/or
- Describe the acquisition of any Positron Emission Tomographer (PET) or Linear Accelerator if initiating the service by responding to the following:

A. Complete the chart below for acquired equipment. **RESPONSE:** *N/A*

<input type="checkbox"/> Linear Accelerator	Mev _____	Types:	<input type="checkbox"/> SRS <input type="checkbox"/> IMRT <input type="checkbox"/> IGRT <input type="checkbox"/> Other _____
	Total Cost*:		<input type="checkbox"/> By Purchase
	<input type="checkbox"/> New <input type="checkbox"/> Refurbished		<input type="checkbox"/> By Lease Expected Useful Life (yrs) _____
			<input type="checkbox"/> If not new, how old? (yrs) _____
<input type="checkbox"/> MRI	Tesla: _____	Magnet:	<input type="checkbox"/> Breast <input type="checkbox"/> Extremity <input type="checkbox"/> Open <input type="checkbox"/> Short Bore <input type="checkbox"/> Other _____
	Total Cost*:		<input type="checkbox"/> By Purchase
	<input type="checkbox"/> New <input type="checkbox"/> Refurbished		<input type="checkbox"/> By Lease Expected Useful Life (yrs) _____
			<input type="checkbox"/> If not new, how old? (yrs) _____
<input type="checkbox"/> PET	<input type="checkbox"/> PET only <input type="checkbox"/> PET/CT <input type="checkbox"/> PET/MRI		<input type="checkbox"/> By Purchase
	Total Cost*:		<input type="checkbox"/> By Lease Expected Useful Life (yrs) _____
	<input type="checkbox"/> New <input type="checkbox"/> Refurbished		<input type="checkbox"/> If not new, how old? (yrs) _____

* As defined by Agency Rule 0720-9-.01(13)

- B. In the case of equipment purchase, include a quote and/or proposal from an equipment vendor. In the case of equipment lease, provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments along with the fair market value of the equipment.

RESPONSE: *N/A*

- C. Compare lease cost of the equipment to its fair market value. Note: Per Agency Rule, the higher cost must be identified in the project cost chart. **RESPONSE:** *N/A*

D. Schedule of Operations: **RESPONSE:** *N/A*

Location	Days of Operation (Sunday through Saturday)	Hours of Operation (example: 8 am – 3 pm)
Fixed Site (Applicant)	_____	_____
Mobile Locations (Applicant)	_____	_____
(Name of Other Location)	_____	_____
(Name of Other Location)	_____	_____

- E. Identify the clinical applications to be provided that apply to the project. **RESPONSE:**

N/A

- F. If the equipment has been approved by the FDA within the last five years provide documentation of the same. **RESPONSE:** N/A

SECTION B: GENERAL CRITERIA FOR CERTIFICATE OF NEED

In accordance with T.C.A. § 68-11-1609(b), "no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, will provide health care that meets appropriate quality standards, and will contribute to the orderly development of health care." Further standards for guidance are provided in the State Health Plan developed pursuant to T.C.A. § 68-11-1625.

The following questions are listed according to the four criteria: (1) Need, (2) Economic Feasibility, (3) Applicable Quality Standards, and (4) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. *Please type each question and its response on an 8 1/2" x 11" white paper, single-sided or double sided.* All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer, unless specified otherwise. ***If a question does not apply to your project, indicate "Not Applicable (NA)."***

QUESTIONS

NEED

1. Provide a response to each criterion and standard in Certificate of Need Categories in the State Health Plan that are applicable to the proposed project. Criteria and standards can be obtained from the Tennessee Health Services and Development Agency or found on the Agency's website at <http://www.tn.gov/hsda/article/hsda-criteria-and-standards>.

Standards & Criteria-TN HSDA for CON Determination-ASTC:

Assumptions in Determination of Need- The need for an ambulatory surgical treatment center shall be based upon the following assumptions:

1. Operating Rooms-
 - a. An operating room is available 250 days per year, 8 hours per day.
 - b. The estimated average time per Case in an Operating Room is 65 minutes.
 - c. The average time for clean-up and preparation between Operating Room Cases is 30 minutes.
 - d. The optimum utilization of a dedicated, outpatient, general-purpose Operating Room is 70% of full capacity. $70\% \times 250 \text{ days/year} \times 8 \text{ hours/day} \text{ divided by } 95 \text{ minutes} = 884 \text{ Cases per year.}$

RESPONSE: *The proposed ophthalmic ASTC will be in operation 5 days per week, 8 hours per day, excluding national holidays which meets the criteria. The two operating rooms will be staffed*

for four days per week initially, which is more than adequate to accommodate the projected surgical caseload in Years 1 & 2. The estimated average time per Case in Operating Room for eye cases is well below 65 minutes. Based on industry average for ophthalmic surgery centers (Beckers ASC Review-Oct. 2013) the median case time for cataract surgery is 14 minutes. Cataract surgical cases are estimated to be 98.6% of the total procedures to be performed in the two dedicated operating rooms within the ASTC. Glaucoma and other eye surgical cases are estimated to have an average surgical case time of 30 minutes. The average clean-up and preparation for all eye cases in the operating rooms is estimated at 13 minutes (Median time reported in Current Ophthalmology-2015) well below the average time of 30 minutes set forth in the criteria. The Applicant projects 3,200 cases in Year 1 (1,600 cases/OR) and 3,523 cases in Year 2 (1,761.5 cases/OR) to be performed in the dedicated outpatient operating rooms which is well over 100% capacity and exceeds the optimum utilization of 884 Cases per year.

2. Procedure Rooms-

- a. A procedure room is available 250 days per year, 8 hours per day.
- b. The estimated average time per outpatient Case in a procedure room is 30 minutes.
- c. The average time for clean-up and preparation between Procedure Room Cases is 15 minutes.
- d. The optimum utilization of a dedicated, outpatient, general-purpose outpatient Procedure Room is 70% of full capacity. $70\% \times 250 \text{ days/year} \times 8 \text{ hours/day} \div 45 \text{ minutes} = 1867 \text{ Cases per year.}$

RESPONSE: *As stated previously, the proposed ophthalmic ASTC will be in operation 5 days per week, 8 hours per day, excluding national holidays which meets the criteria. The one dedicated procedure room will be available and staffed with appropriate nursing personnel five days per week at 8 hours per day to accommodate projected eye laser procedures in Years 1 & 2. Yag laser procedures (required for certain patients post Cataract surgery) are estimated to account for over 94% of the total eye laser procedures to be performed in the dedicated procedure room within the ASTC. Other laser procedures for treatment of retina diseases (retina lasers) and glaucoma (SLT-Selective Laser Trabeculoplasty) will also be performed within the ASTC. The estimated average time per outpatient Case for all of these laser procedures is 5 minutes and estimated average time for clean-up and preparation between Procedure Cases is 10 minutes, both below the stated criteria. The Applicant projects 814 laser eye cases in Year 1 and 893 cases in Year 2 to be performed in the dedicated outpatient procedure room. While this project's projected utilization is below the stated criteria above for a dedicated procedure room, these levels exceed procedure room utilization in the four existing ASTCs specializing in eye care within the service area-ave. 743 cases per procedure room per year & 27.86% average utilization (based on JAR Reports-2015 and State of TN-HSDA Guidelines for Growth).*

Determination of Need-

1. **Need.** The minimum numbers of 884 Cases per Operating Room and 1867 Cases per Procedure Room are to be considered as baseline numbers for purposes of determining Need. An applicant should demonstrate the ability to perform a minimum of 884 Cases per Operating Room and/or 1867 Cases per Procedure Room per year, except that an applicant may provide information on its projected case types and its assumptions of estimated average time and clean up and preparation time per Case if this information differs significantly from the above-stated assumptions. It is

recognized that an ASTC may provide a variety of services/Cases and that as a result the estimated average time and clean up and preparation time for such services/Cases may not meet the minimum numbers set forth herein. It is also recognized that an applicant applying for an ASTC Operating Room(s) may apply for a Procedure Room, although the anticipated utilization of that Procedure Room may not meet the base guidelines contained here. Specific reasoning and explanation for the inclusion in a CON application of such a Procedure Room must be provided. An applicant that desires to limit its Cases to a specific type or types should apply for a Specialty ASTC.

RESPONSE: *The Applicant will limit its cases in the proposed ASTC to ophthalmology and the project will include two operating rooms and a procedure room for laser procedures. Single-Specialty ophthalmic ASTC laser procedure rooms traditionally have lower utilization than general-purpose outpatient Procedure Rooms but are very efficient. These eye laser procedures are often the most cost effective treatment for certain vision modalities. These ophthalmic laser procedures do not generally require anesthesia, require limited staffing, and for these reasons are better suited for the procedure room and are not typically performed in operating rooms. These eye laser procedures are critical to providing comprehensive quality eye care and surgery to certain patients with vision loss and/or vision impairment. The procedure room in the ophthalmic ASTC is the ideal setting for the patient and physician in terms of cost-effectiveness, accessibility to technology, convenience and efficiency.*

2. **Need and Economic Efficiencies.** An applicant must estimate the projected surgical hours to be utilized per year for two years based on the types of surgeries to be performed, including the preparation time between surgeries. Detailed support for estimates must be provided.

RESPONSE: *See the Case Utilization & Time Requirements Schedule for the proposed ESCK project below.*

**EYE SURGERY CENTER OF KNOXVILLE (ESCK)
CASE UTILIZATION & TIME REQUIREMENTS**

<i>Type of Procedure:</i>	PROJECTED YR 1 Cases	AVE SX CASE TIME Min./Cs	AVE CLEAN-UP & PREP TIME Min./Cs	TOTAL Min./Cs	YR 1 MINUTES	YR 1 HOURS	Utilization % of Capacity*
Cataract Surgery	3,156	14	13	27	85,212	1,420.2	
Glaucoma Surgery	12	30	13	43	516	8.6	
Other Eye Care Surgery	32	30	13	43	1,376	22.9	
OR Total	3,200	N/A	N/A	N/A	87,104	1,451.7	45.37%
Yag Laser Procedures	767	5	10	15	11,505	191.8	
Retina Laser Procedures	28	5	10	15	420	7.0	
SLT Laser Procedures	19	5	10	15	285	4.8	
PR Total	814	N/A	N/A	N/A	12,210	203.5	10.18%
Total Facility	4,014	N/A	N/A	N/A	186,418	1,655.2	

<i>Type of Procedure:</i>	PROJECTED YR 2 Cases	AVE SX CASE TIME Min./Cs	AVE CLEAN-UP & PREP TIME Min./Cs	TOTAL Min./Cs	YR 2 MINUTES	YR 2 HOURS	Utilization % of Capacity*
Cataract Surgery	3,473	14	13	27	93,771	1,562.9	
Glaucoma Surgery	13	30	13	43	559	9.3	
Other Eye Care Surgery	37	30	13	43	1,591	26.5	
OR Total	3,523	N/A	N/A	N/A	95,921	1,598.7	49.96%
Yag Laser Procedures	843	5	10	15	12,645	210.8	
Retina Laser Procedures	29	5	10	15	435	7.3	
SLT Laser Procedures	21	5	10	15	315	5.3	
PR Total	893	N/A	N/A	N/A	13,395	223.3	11.16%
Total Facility	4,416	N/A	N/A	N/A	205,237	1,821.9	

*Utilization Capacity of Two Operating Rooms based on 2 ORs @ 4 days/wk x 8 hrs x 50 wks =3,200 hrs staffed/YR

*Utilization Capacity of One Procedure Room (Laser) based on 1 PR @ 5 days/wk x 8 hrs x 50 wks=2,000 hrs staffed/YR

- Need; Economic Efficiencies; Access.** To determine current utilization and need, an applicant should take into account both the availability and utilization of either: a) all existing outpatient Operating Rooms and Procedure Rooms in a Service Area, including physician office based surgery rooms (when those data are officially reported and available) OR b) all existing comparable outpatient Operating Rooms and Procedure Rooms based on the type of Cases to be performed. Additionally,

November 10, 2016

3:07 pm

applications should provide similar information on the availability of nearby out-of-state existing outpatient Operating Rooms and Procedure Rooms, if that data are available, and provide the source of that data. Unstaffed dedicated outpatient Operating Rooms and unstaffed dedicated outpatient Procedure Rooms are considered available for ambulatory surgery and are to be included in the inventory and in the measure of capacity.

RESPONSE: *There are five existing ASTCs within the Applicant's eight county Service Area which currently provide eye services. There are no ASTCs currently licensed in five of the counties within the Service Area-Campbell, Grainger, Jefferson, Sevier and Union and no ASTC currently licensed in Blount County, TN (also within Service Area) that provides eye services. Three of these existing facilities licensed as single specialty ophthalmic ASTCs are located in Knox County, TN, and experience high utilization. The other ASTC located in Knox County, TN is licensed as multi-specialty and provides eye services but has no procedure room or equipment for eye laser procedures. The ASTC located in Anderson County is licensed as multi-specialty but performs predominantly eye surgeries and eye laser procedures and has experienced good utilization but its location is inadequate for servicing the needs of the Applicant's patients. Unstaffed dedicated outpatient Operating Rooms and Procedure Rooms were included in the inventory and measure of capacity. Over the three-year reporting period from 2013 to 2015 (per Joint Annual Reports-TN Dept. of Health-Div. of Planning and Assessment (PPA)-Health Facilities Statistics Unit), the available ASTC operating rooms/procedure rooms capacity providing eye services within the Service Area decreased from 31 to 18. For the existing active ASTCs providing eye services within the Service Area the aggregate totals for 2015 were: OR (Operating Room) Utilization as a % of HSDA State Guidelines-202.38%- ave.1789 cases/OR & PR (Procedure Room)- 39.80%-ave.743 cases/PR. See Schedule of Historical Capacity & Utilization of ASTCs with Eye Service in 8 County Service Area included in this Section B. Need-Question 5.*

4. **Need and Economic Efficiencies.** An applicant must document the potential impact that the proposed new ASTC would have upon the existing service providers and their referral patterns.
 1. A CON application to establish an ASTC or to expand existing services of an ASTC should not be approved unless the existing ambulatory surgical services that provide comparable services regarding the types of Cases performed, if those services are known and relevant, within the applicant's proposed Service Area or within the applicant's facility are demonstrated to be currently utilized at 70% or above.
 2. The Division recognizes that estimated or average cleanup/preparation times and Case times may vary significantly by specialty and type of Case.
 3. The Department of Health is currently in the rule-making process necessary to implement the statute requiring the collection of office-based surgery data (Public Chapter 373, 2007). The Division recognizes that the Department of Health does not have sufficient data available on hospital ambulatory/outpatient surgery rooms at this time to include them in the determination of need; however, the Division plans to work

November 21, 2016**1:19 pm**

with stakeholders towards this goal

RESPONSE: *The potential impact of the proposed new ASTC would be minimal as reflected in the Schedule below. There are two facilities affected by the proposed new ASTC. First, Physicians Surgery Center of Knoxville is a licensed multi-specialty ASTC in Knox County and does not have a procedure room or equipment for providing eye laser procedures. This facility is not currently in network with certain major insurance plans (which restricts accessibility of patients and provider utilization of the facility). Eye cases accounted for only 11% of the total surgical cases performed within this Facility in 2015. Knoxville Eye Surgery Center is the other facility affected and the impact from the loss of ESCK group cases will be marginal for this Facility. The single specialty ophthalmic ASTC case load for Knoxville Eye Surgery Center as reported in 2015 significantly exceeds the utilization standard- State Guidelines for Growth for Operating Rooms (350.57% Utilization without ESCK cases). The Combined Facilities without ESCK cases reflects a 207.25% Utilization or 1,832 cs/OR well above the 884 cs/OR - State Guidelines. Hospital outpatient surgery rooms were not included in this review due to insufficient data available and since applicant's proposed ASTC will be limited to ophthalmic surgical procedures and should not have an adverse impact on these facilities. No cases are currently being performed in the other existing ASTCs providing eye services within the Service Area. Based on this information the Applicant's proposed ASTC would not adversely impact the existing service providers.*

**EYE SURGERY CENTER OF KNOXVILLE (ESCK)
IMPACT ON EXISTING ASTCS IN SERVICE AREA**

ASTC	Total-	Utilization per JAR Reports-2015			ESCK Utiliz.-2015		Without ESCK Cases	
	OR/PR	Total-OR+PR	OR Cases	PR Cases	OR Cases	PR Cases	OR Cases	PR Cases
Physicians Surgery Center of Knoxville								
Multispecialty-ASTC	5 / 0 = 5							
Ophthalmology		497	497	-	379		118	-
Total Outpatient Surgeries		4,472	4,472	-	379		4,093	-
Utilization % based on State Guidelines			101.18%	N/A			92.60%	N/A

Knoxville Eye Surgery Center

Single Specialty-ASTC Ophthalmol 4 / 1 = 5

Ophthalmology		14,203	13,307	896	911	250	12,396	646
Total Outpatient Surgeries		14,203	13,307	896	911	250	12,396	646
Utilization % based on State Guidelines			376.33%	47.99%			350.57%	34.60%
Total Combined Facilities 9 / 1 = 10								
		18,675	17,779	896	1,290	250	16,489	646
Utilization % based on State Guidelines			156.41%	47.99%			207.25%	34.60%
	Case/OR-PR		1,975	896			1,832	646

*State Guidelines-TN HSDA in State Health Plan-1,263 CS/OR @70% min=884 CS/OR

*State Guidelines-TN HSDA in State Health Plan-2,667 CS/PR @70% min=1,867 CS/PR

Source of Information: Joint Annual Reports (JAR)-TN Dept of Health-Div. of Planning And Assessment(PPA)-Health Facilities Statistics Unit & Clinical data/information from ESCK Group.

- Need and Economic Efficiencies.** An application for a Specialty ASTC should present its projections for the total number of cases based on its own calculations for the projected length of time per type of case, and shall provide any local, regional, or national data in support of its methodology. An applicant for a Specialty ASTC should provide its own definitions of the surgeries and/or procedures that will be performed and whether the Surgical Cases will be performed in an Operating Room or a Procedure Room. An applicant for a Specialty ASTC must document the potential impact that the proposed new ASTC would have upon the existing service providers and their referral patterns. A CON proposal to establish a Specialty ASTC or to expand existing services of a Specialty ASTC shall not be approved unless the existing ambulatory surgical services that provide comparable services regarding the types of Cases performed within the applicant's proposed Service Area or within the applicant's facility are demonstrated to be currently utilized at 70% or above. An applicant that is granted a CON for a Specialty ASTC shall have the specialty or limitation placed on the CON.

RESPONSE: *The Applicant is applying for CON approval and licensure as a Specialty ASTC in Ophthalmology. The information and documentation has been included in other sections within the application. The proposed Specialty ASTC if approved will have a positive impact on the Service Area as the existing specialty ASTCs providing eye services are highly utilized and cannot meet the expected growth and needs of the aging population with age-related eye diseases in the Service Area.*

See Schedule of Historical Capacity & Utilization of ASTCs with Eye Service in 8 County Service Area included in this Section B. Need-Question 5. & Schedule of Impact on Existing ASTCs in Service Area in previous Section 4. Need and Economic Efficiencies, and Schedule-Case Utilization & Time Requirements included in Section 2. Need and Economic Efficiencies

Other Standards and Criteria-

6. **Access to ASTCs.** The majority of the population in a Service Area should reside within 60 minutes average driving time to the facility.

RESPONSE: *The majority of the population in the Service Area in 2016 resides in Knox County, TN-466,345-Total Service Area 919,363 (50.72%). The proposed facility site is located in Powell, TN-Knox County and is within the 60 minutes average driving time for all areas within Knox County. In addition, the proposed facility site is located within the 60 minutes average driving time of every major community within the Service Area as set forth in the Schedule below:*

PROXIMITY OF PROJECT ASTC (DANNAHER DR-POWELL, TN) KNOX COUNTY TO SERVICE AREA			Distance	Drive Time
Location-City	County	State	Miles	Minutes
Clinton	Anderson	TN	13.5	23
Oak Ridge	Anderson	TN	19.7	33
Alcoa	Blount	TN	22.3	31
Maryville	Blount	TN	25.1	34
LaFollette	Campbell	TN	31.4	37
Rutledge	Grainger	TN	33.5	51
Jefferson City	Jefferson	TN	35.7	44
Knoxville (Downtown)	Knox	TN	9.1	13
Sevierville	Sevier	TN	36.0	44
Maynardville	Union	TN	20.4	32

Source of Information: Google Maps, October 2016

7. **Access to ASTCs.** An applicant should provide information regarding the relationship of an existing or proposed ASTC site to public transportation routes if that information is available.

RESPONSE: *Public transportation services are available to Knox County residents through Knox County CAC Transit and TennCare Transportation will provide transportation for eligible enrollees to the proposed ASTC site.*

8. **Access to ASTCs.** An application to establish an ambulatory surgical treatment center or to expand existing services of an ambulatory surgical treatment center must project the origin of potential patients by percentage and county of residence and, if such data are readily available, by zip code, and must note where they are currently being served. Demographics of the Service Area should be included, including the anticipated provision of services to out-of-state patients, as well as the identity of other service providers both in and out of state and the source of out-of-state data. Applicants shall document all other provider alternatives available in the Service Area.

November 10, 2016

3:07 pm

All assumptions, including the specific methodology by which utilization is projected, must be clearly stated.

RESPONSE: See Schedule of Eight County Service Area Utilization in Section B-Need-3 which reflects the eye procedures performed for year end 2015 by the six specialists of the ESCCK group by patient origin-86.35% within Service Area and Applicant anticipates and projects similar patient origin trends for the next several years-86.35%, in Service Area The 65+ age group is expected to increase by 15.8% from 2016 to 2020 which will require more treatment and cataract surgery for age related vision loss within the Service Area and this trend is expected to continue-See Demographic Table for Eye Surgery Center of Knoxville Service Area. Anticipated services for out-of-state patients will be limited in number and insignificant. There are five existing ASTCs within the Applicant's Service Area that currently provide eye services- See Schedule of Historical Capacity & Utilization of ASTCs with Eye Service in 8 County Service Area in Section B-Need-5.

9. **Access and Economic Efficiencies.** An application to establish an ambulatory surgical treatment center or to expand existing services of an ambulatory surgical treatment center must project patient utilization for each of the first eight quarters following completion of the project. All assumptions, including the specific methodology by which utilization is projected, must be clearly stated.

RESPONSE: See Table below. Projected patient utilization is based on actual procedures performed by ESCCK group for 2015 with increase of 10% cumulative growth (from 2015 to 2018) in Year 1-2018 and 10% annual growth in Year 2-2019. This is conservative based on aging population trends of the Service Area in excess of 15.8% in the 65+ age group and population growth from 2016 to 2020.

# PROCEDURES PROJECTED:	QTR 1	QTR 2	QTR 3	QTR 4	TOTAL	QTR 1	QTR 2	QTR 3	QTR 4	TOTAL
	YEAR 1	YEAR 1	YEAR 1	YEAR 1		YEAR 2	YEAR 2	YEAR 2	YEAR 2	
Cataract Surgery	789	789	789	789	3156	868	868	868	869	3473
Glaucoma Surgery	3	3	3	3	12	3	3	3	4	13
Other Eye Care Sx Procedures	8	8	8	8	32	9	9	9	10	37
Yag Laser Procedures	192	191	192	192	767	211	211	211	210	843
Retina Laser Procedures	7	7	7	7	28	7	7	7	8	29
SLT Laser Procedures	4	5	5	5	19	6	5	5	5	21
Total	1,003	1,003	1,004	1,004	4014	1,104	1,103	1,103	1,106	4416

10. **Patient Safety and Quality of Care; Health Care Workforce.**

- An applicant should be or agree to become accredited by any accrediting organization approved by the Centers for Medicare and Medicaid Services, such as the Joint Commission, the Accreditation Association of Ambulatory Health Care, the American Association for Accreditation of Ambulatory Surgical Facilities, or other nationally recognized accrediting organization.
- An applicant should estimate the number of physicians by specialty that are expected to utilize the facility and the criteria to be used by the facility in extending surgical and anesthesia privileges to medical personnel. An applicant should provide documentation on the availability of appropriate and qualified staff that will provide ancillary support services, whether on- or off-site.

RESPONSE: *The Applicant plans to become accredited through the Accreditation Association of Ambulatory Health Care (AAAHC). The Applicant will initially credential and extend surgical privileges to the six physician owners of the Facility (the ESCK group) who will perform the ophthalmic surgery and eye laser procedures. The ESCK group will consider offering surgical privileges for utilization of the ASTC to other qualified ophthalmic surgeons once the appropriate physician credentialing and admission policies have been established by the organization. CRNA staff has been identified and the Applicant has provided a Letter from the CRNA in the Attachment Section-Contribution to the Orderly Development of Healthcare. There are several accredited nursing programs including UT-Knoxville and other schools within the Knoxville, TN area that can provide an excellent source for recruitment of Registered Nurses and other qualified staff.*

11. Access to ASTCs. In light of Rule 0720-11.01, which lists the factors concerning need on which an application may be evaluated, and Principle No. 2 in the State Health Plan, "Every citizen should have reasonable access to health care," the HSDA may decide to give special consideration to an applicant:

- a. Who is offering the service in a medically underserved area as designated by the United States Health Resources and Services Administration;
- b. Who is a "safety net hospital" or a "children's hospital" as defined by the Bureau of TennCare Essential Access Hospital payment program;
- c. Who provides a written commitment of intention to contract with at least one TennCare MCO and, if providing adult services, to participate in the Medicare program; or d. Who is proposing to use the ASTC for patients that typically require longer preparation and scanning times. The applicant shall provide in its application information supporting the additional time required per Case and the impact on the need standard. The Division recognizes that not all ASTCs can be CMS certified or accredited.

RESPONSE: *Not necessary. Applicant meets utilization criteria.*

2. Describe the relationship of this project to the applicant facility's long-range development plans, if any, and how it relates to related previously approved projects of the applicant.

RESPONSE: *Not Applicable (NA), Applicant is establishing a new facility and has no long-range development plans or previously approved projects.*

3. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map for the Tennessee portion of the service area using the map on the following page, clearly marked to reflect the service area as it relates to meeting the requirements for CON criteria and standards that may apply to the project. Please include a discussion of the inclusion of counties in the border states, if applicable. **Attachment Section B**
- Need-3.

RESPONSE: *See Service Area Maps included in Attachment Section B-Need-3. The Service Area is justified in that over 86% of patients having surgical procedures performed by the ESCCK group in 2015 originated from the eight counties in Tennessee-Anderson, Blount, Campbell, Grainger, Jefferson, Knox, Sevier & Union. No counties in border states are included in the proposed service area. The ASTC proposed site is ideally located in the North Knoxville area to service this market and provide comprehensive quality eye care to a growing and aging population.*

Please complete the following tables, if applicable: **RESPONSE:**

See Schedule of Eight County Service Area Utilization Below. Historical Utilization reflects Procedures performed for year end 2015 by the six specialists of the ESCCK group. Applicant anticipates and projects similar patient origin trends for the next several years-86.35%, in Service Area.

Service Area Counties	Historical Utilization- County Residents	% of total procedures
Anderson	183	5.02%
Blount	321	8.80%
Campbell	280	7.67%
Grainger	62	1.70%
Jefferson	93	2.55%
Knox	1,903	52.15%
Sevier	173	4.74%
Union	136	3.73%
Other < 1.5%	498	13.65%
Total	3,649	100.00%

Service Area Counties	Projected Utilization- County Residents	% of total procedures
Anderson	201	5.02%
Blount	353	8.80%
Campbell	308	7.67%
Grainger	68	1.70%
Jefferson	102	2.55%
Knox	2,093	52.15%
Sevier	190	4.74%
Union	150	3.73%
Other < 1.5%	548	13.65%
Total	4,014	100.00%

[illegible]

4. A. 1) Describe the demographics of the population to be served by the proposal.

RESPONSE: The Demographics of the Service Area is summarized in the Table below. The median age is 41.8 yrs which is older than the TN median age-38.7 yrs. The 65+ age group is expected to increase by 15.8% from 2016 to 2020 which will require more eye care treatment and cataract surgery for age related vision loss in the immediate future and the coming years. This trend is projected to continue beyond 2020. TennCare enrollees within the Service Area total 183,881 representing 11.8% of total TennCare enrollees per Bureau of TennCare Sept 2016 report.. The total statewide enrollment in TennCare at Sept 2016 is 1,551,984 which represents 22.78% of the state's population-6,812,005.

- 2) Using current and projected population data from the Department of Health, the most recent enrollee data from the Bureau of TennCare, and demographic information from the US Census Bureau, complete the following table and include data for each county in your proposed service area.

Projected Population Data: <http://www.tn.gov/health/article/statistics-population>

TennCare Enrollment Data: <http://www.tn.gov/tenncare/topic/enrollment-data>

Census Bureau Fact Finder: <http://factfinder.census.gov/faces/nav/jsf/pages/index.xhtml>

Demographic Variable/Geographic Area	Department of Health/Health Statistics							Bureau of the Census				TennCare	
	Total Population-Current Year	Total Population-Projected Year	Total Population-% Change	*Target Population-Current Year	*Target Population-Project Year	*Target Population-% Change	Target Population Projected Year as % of Total	Median Age	Median Household Income	Person Below Poverty Level	Person Below Poverty Level as % of Total	TennCare Enrollees	TennCare Enrollees as % of Total
County A													
County B, etc.													
Service Area Total													
State of TN Total													

* Target Population is population that project will primarily serve. For example, nursing home, home health agency, hospice agency projects typically primarily serve the Age 65+ population; projects for child and adolescent psychiatric services will serve the Population Ages 0-19. Projected Year is defined in select service-specific criteria and standards. If Projected Year is not defined, default should be four years from current year, e.g., if Current Year is 2016, then default Projected Year is 2020.

RESPONSE: See Demographic Table for Eye Surgery Center of Knoxville Service Area

Demographic Variable/ Geographic Area	Department of Health /Health Statistics*								Bureau of the Census**				TennCare***	
	Population Estimate 2016			Population Estimate 2020			% Increase		Median Age	Median Household Income	# Person Below Poverty Level	#Person Below Pov. Level as % of Total	TennCare Enrollees	TennCare Enrollees as % of Total
	Total	65+	%65+	Total	65+	%65+	65+	Total						
Anderson	77,667	15,608	20.1%	79,061	17,490	22.1%	12.1%	1.8%	43.7	44,199	13,281	17.1%	17,289	22.3%
Blount	133,236	26,259	19.7%	139,725	30,754	22.0%	17.1%	4.9%	42.7	46,518	19,186	14.4%	23,893	17.9%
Campbell	41,464	8,645	20.8%	41,787	9,698	23.2%	12.2%	0.8%	42.5	32,316	9,371	22.6%	13,847	33.4%
Grainger	23,890	4,951	20.7%	24,577	5,763	23.4%	16.4%	2.9%	43.0	34,566	5,065	21.2%	6,382	26.7%
Jefferson	55,714	11,400	20.5%	58,372	13,331	22.8%	16.9%	4.8%	41.8	41,426	9,249	16.6%	13,252	23.8%
Knox	466,345	70,360	15.1%	488,993	80,979	16.6%	15.1%	4.9%	37.2	47,543	71,351	15.3%	81,859	17.6%
Sevier	101,144	19,374	19.2%	108,468	23,251	21.4%	20.0%	7.2%	42.8	42,499	15,576	15.4%	21,864	21.6%
Union	19,903	3,562	17.9%	20,320	4,173	20.5%	17.2%	2.1%	40.7	36,009	4,518	22.7%	5,495	27.6%
Service Area Total	919,363	160,159	17.4%	961,303	185,439	19.3%	15.8%	4.6%	41.8	40,635	147,596	18.2%	183,881	20.0%
State of TN Total	6,812,005	1,091,516	16.0%	7,108,031	1,266,295	17.8%	16.0%	4.3%	38.7	44,621	1,212,537	17.8%	1,551,984	22.8%

* 2015 Revised UTCBER Population Projection Series.

Source: The University of Tennessee Center for Business and Economic Research Population Projection Data Files, Reassembled by the Tennessee Department of Health, Division of Policy, Planning and Assessment.

Note: These data will not match the University of Tennessee Data exactly due to rounding.

**Source: U.S. Census Bureau 2015 American Community Survey 1-Year Estimates & U.S. Census Bureau 2010-2014 American Community Survey 5-Year Estimates

***Source: TennCare Enrollment Report for September 2016

- B. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

RESPONSE: *The 65+ yrs age group is continuing to grow at a significant rate within the Service Area. Accordingly, there is a high prevalence of cataracts, age-related macular degeneration, glaucoma, and other eye diseases which create loss of vision in this age group requiring access to quality care and surgery in a cost effective environment. The proposed Facility can address these needs. Historically, the ESCK group physicians have treated patients from all racial, ethnic minorities, and low-income groups without discrimination and have provided a significant amount of indigent care which will continue with the proposed ASTC. The proposed ASTC will participate in all TennCare/ Medicaid programs and Medicare/Medicare Managed programs to address the special needs of these patients.*

5. Describe the existing and approved but unimplemented services of similar healthcare providers in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. List each provider and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: Admissions or discharges, patient days, average length of stay, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc. This doesn't apply to projects that are solely relocating a service.

RESPONSE: *There are five existing ASTCs within the Applicant's eight county Service Area which currently provide eye services. There are no ASTCs currently licensed in five of the counties within the Service Area- Campbell, Grainger, Jefferson, Sevier and Union and no ASTC currently licensed in Blount County, TN (also within Service Area) that provides eye services. Three of these existing facilities licensed as single specialty ophthalmic ASTCs are located in Knox County, TN, and experience high utilization. The other ASTC located in Knox County, TN is licensed as multi-specialty and provides eye services but has no procedure room or equipment for eye laser procedures. The ASTC located in Anderson County is licensed as multi-specialty but performs predominantly eye surgeries and eye laser procedures and has experienced good utilization but its location is inadequate for servicing the needs of the Applicant's patients. Unstaffed dedicated outpatient Operating Rooms and Procedure Rooms were included in the inventory and measure of capacity. Over the three-year reporting period from 2013 to 2015 (per Joint Annual Reports-TN Dept. of Health-Div. of Planning and Assessment (PPA)-Health Facilities Statistics Unit), the available ASTC operating rooms/procedure rooms capacity providing eye services within the Service Area decreased from 31 to 18. For the existing active ASTCs providing eye services within the Service Area the aggregate totals for 2015 were: OR (Operating Room) Utilization as a % of HSDA State Guidelines-202.38% - ave.1789 cases/OR & PR (Procedure Room)-39.80%-ave.743 cases/PR. See Schedule of Historical Capacity & Utilization of ASTCs with Eye Service in 8 County below.*

Historical Capacity & Utilization of ASTCs with Eye Service within 8 County Service Area

November 21, 2016

Historical Capacity & Utilization Statistics with Eye Service Added to County Service Area			2013	2014	1:190pm (Final)					
ASTC	County	Oper.Rms/ Proc.Rms in 2015	Cases	Cases	Total Cases	OR Cases	Proc. Rm Cases	Eye cases % of Total Cases in 2015	ORs % of Utilization Std-884 cs 2015	PR % of Utilization Std-1867 cs 2015
The Eye Surgery Center of Oak Ridge										
Multispecialty-ASTC (Eye & Plastic)	Anderson	2 / 1 = 3								
Ophthalmology			3,090	3,112	3,228	2,205	1,023	91.76%		
Total Outpatient Surgeries			3,251	3,302	3,518	2,495	1,023		141.12%	54.79%
Eye Surgery Center of East Tennessee										
Single Specialty-ASTC Ophthalmology	Knox	2 / 1 = 3								
Ophthalmology			3,710	4,572	3,792	2,930	862	100.00%		
Total Outpatient Surgeries			3,710	4,572	3,792	2,930	862		165.72%	46.17%
Physicians Surgery Center of Knoxville										
Multispecialty-ASTC	Knox	5 / 0 = 5								
Ophthalmology			581	912	497	497	-	11.11%		N/A
Total Outpatient Surgeries			4,670	5,102	4,472	4,472	-		101.18%	N/A
Knoxville Eye Surgery Center										
Single Specialty-ASTC Ophthalmology	Knox	4 / 1 = 5								
Ophthalmology			10,187	9,628	14,203	13,307	896	100.00%		
Total Outpatient Surgeries			10,187	9,628	14,203	13,307	896		376.33%	47.99%
Southeast Eye Surgery Center, LLC (closed staff)										
Single Specialty-ASTC Ophthalmology	Knox	1 / 1 = 2								
Ophthalmology	(245 days in 2014)		N/A	687	2,034	1,843	191	100.00%		
Total Outpatient Surgeries			N/A	687	2,034	1,843	191		208.48%	10.23%
Total Service Area-Active ASTCs		14 / 4 = 18								
Ophthalmology			17,568	18,911	23,754	20,782	2,972	84.78%		
Total Outpatient Surgeries			21,818	23,291	28,019	25,047	2,972		202.38%	39.80%
Cases per OR/PR			1,212	1,294	1,557	1,789	743			
ASTC's Discontinued since 2013:										
Advanced Family Surgery Center										
Multispecialty-ASTC	Anderson	4 / 1 = 5								
Ophthalmology			No longer performing eye procedures as of 2013					N/A		
Total Outpatient Surgeries			No longer performing eye procedures as of 2013						N/A	N/A
Maryville Surgery Center										
Multispecialty-ASTC	Blount	4 / 0 = 4								
Ophthalmology			483	N/A	N/A	N/A	N/A	N/A		
Total Outpatient Surgeries			3,342	Facility Closed in 2014			N/A		N/A	N/A
St. Mary's Ambulatory Surgery Center**										
Multispecialty-ASTC	Knox	6 / 0 = 6								
Ophthalmology	7/1/2012-	**	728	N/A	N/A	N/A	N/A	N/A		
Total Outpatient Surgeries	1/31/2013		3,218	N/A	N/A	N/A	N/A		N/A	N/A
**Closed 1/31/2013-now operated as										
Hospital Dept of Tennova Knoxville Medical Center										
	Discontinued	14 / 1 = 15								

Note: The Service Area's ASTC operating/procedure room capacity for eye surgeries has dropped from 31 to 18 over the three reported years.

Source of Information: Joint Annual Reports (JAR)-TN Dept of Health-Div. of Planning And Assessment(PPA)-
Health Facilities Statistics Unit.

6. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three years and the projected annual utilization for each of the two years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology **must include** detailed calculations or documentation from referral sources, and identification of all assumptions.

RESPONSE: The ophthalmic surgical and eye laser procedure cases performed by the six ophthalmic surgeons representing the four Knoxville-based medical ophthalmic practices (the "ESCK group") for the three-year period 2013 through 2015 by ASTC, Hospital facility, or office facilities (where these were performed) are reflected in the schedule below. Based on this historical utilization by the ESCK group the Applicant projects an increase in surgical case volume of 10% (cumulative from year ending 2015 to Year 1-2018) and an annual increase of 10% in surgical case volume for Year2- 2019. This assumes that the proposed ASTC is approved, licensed, accredited and operational as of January 1, 2018 and the ESCK group will perform all of the projected cases for Year 1 and Year 2 in the new ophthalmic ASTC.

**EYE SURGERY CENTER OF KNOXVILLE (ESCK)
UTILIZATION-FYE 2013/FYE 2014/FYE 2015**

ESCK UTILIZATION- #SURGICAL CASES:

	FYE 2013 Total	FYE 2014 Total	Increase % Cases	FYE 2015 Total	Increase % Cases
Cataract Surgery	2,449	2,579		2,870	
Glaucoma Surgery	4	12		11	
Other Eye Care Surgery	16	16		29	
Yag Laser Procedures	597	646		697	
Retina Laser Procedures	13	29		25	
SLT Laser Procedures	35	44		17	
Total	3,114	3,326	6.81%	3,649	9.71%

ASTC or Hospital Facility Utilized:

	OR Cases	PR Cases	OR Cases	PR Cases	OR Cases	PR Cases
Knoxville Eye Surgery Center	860	200	880	225	911	250
Physician's Surgery Center of Knoxville	225		279		379	
St Mary's Ambulatory Surgery Ctr (closed in 2013 now Tennova PRMC)	1,229					
Tennova Physicians Regional Medical Center(PRMC)-Hospital	1	43	1,246		1,343	-
Tennova North Knoxville Medical Center-Powell, TN		300		341		329
Tennova LaFollette Medical Center-Hospital	154		202		277	
Ophthalmic Medical Offices of ESCK Group		102		153		160
OR Cases	2,469		2,607		2,910	
PR Cases		645		719		739
Total-OR+PR	3,114		3,326		3,649	

ESCK UTILIZATION- #SURGICAL CASES:

	ACTUAL			PROJECTED	
	FYE 2013 Total	FYE 2014 Total	FYE 2015 Total	YR 1 Total	YR 2 Total
Cataract Surgery	2,449	2,579	2,870	3156	3473
Glaucoma Surgery	4	12	11	12	13
Other Eye Care Surgery	16	16	29	32	37
Yag Laser Procedures	597	646	697	767	843
Retina Laser Procedures	13	29	25	28	29
SLT Laser Procedures	35	44	17	19	21
Total	3,114	3,326	3,649	4014	4416

6.81% 9.71% 10.00% 10.00%

1. Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.
 - A. All projects should have a project cost of at least \$15,000 (the minimum CON Filing Fee). (See Application Instructions for Filing Fee)
 - B. The cost of any lease (building, land, and/or equipment) should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Note: This applies to all equipment leases including by procedure or "per click" arrangements. The methodology used to determine the total lease cost for a "per click" arrangement must include, at a minimum, the projected procedures, the "per click" rate and the term of the lease.
 - C. The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.
 - D. Complete the Square Footage Chart on page 8 and provide the documentation. Please note the Total Construction Cost reported on line 5 of the Project Cost Chart should equal the Total Construction Cost reported on the Square Footage Chart.
 - E. For projects that include new construction, modification, and/or renovation—**documentation must be** provided from a licensed architect or construction professional that support the estimated construction costs. Provide a letter that includes the following:
 - 1) A general description of the project;
 - 2) An estimate of the cost to construct the project;
 - 3) A description of the status of the site's suitability for the proposed project; and
 - 4) Attesting the physical environment will conform to applicable federal standards, manufacturer's specifications and licensing agencies' requirements including the AIA Guidelines for Design and Construction of Hospital and Health Care Facilities in current use by the licensing authority.

RESPONSE:

Project Cost Chart-Item A.line 1. Architectural & Engineering Fees were estimated by Architect.

Project Cost Chart-Item A.line 2. A contingency amount for Legal, Administrative & Consultant Fees were estimated by Consultant & Attorney representing the Project.

Project Cost Chart-Item A.line 3. Acquisition of Site amount reflects purchase price of parcel in Commercial Purchase & Sale Agreement-See Attachment Section A-6A Site Control-Option to Purchase

Project Cost Chart-Item A.lines 4-6. Includes cost estimates by Architect for Preparation of Site, Total Construction Costs -4,200 sq ft facility at \$175/sq ft. along with a contingency amount. See Attachment B-Economic Feasibility-1 Documentation of Construction Cost Estimate-Licensed Architect Letter

Project Cost Chart-Item A.line 8. Moveable equipment includes all medical/surgical equipment, office equipment, computer & telecommunication equipment, furniture & fixtures for designated areas within the facility. The two operating rooms will each be equipped with a phaco unit (approx. \$62,000 per unit) and a surgical microscope (approx. \$52,000 per unit). Total cost for equipment was provided based on discussions

with vendors and estimate from Consultant (phaco units & surgical microscopes would be only items in excess of \$50,000).

Item 1.A. Based on Instructions-CON Application Fee=\$5.75/\$1000.00 for Project Cost (\$15,000-Minimum) \$15,000.00 is required for CON Application Fee.

Item 1. B. N/A-Not Applicable.

Item 1. C. Addressed in Cost estimate Project Cost Chart-Item A. line 8.

Item 1. D. Square Footage Chart completed. ASTC Construction Cost Per Square Foot for Years 2013-2015 Construction ranges are not available due to insufficient sample size from TN-HSDA. ASTC Construction Cost Per Square Foot for Years 2011-2013 for new construction projects approved by TN-HSDA ranged from \$200.00/sq ft-1st Quartile; \$252.74/sq ft-Median; \$371.75/sq ft-3rd Quartile. Based on this information the project is well within the range for ASTC new construction projects at \$175.00/sq.ft (exclusive of land & site preparation costs) & \$261.90/sq ft (inclusive of land & site preparation costs).

Item 1.E. See Attachment B-Economic Feasibility-1 Documentation of Construction Cost Estimate-Licensed Architect Letter.

PROJECT COST CHART

A. Construction and equipment acquired by purchase:

1. Architectural and Engineering Fees	\$65,000.00
2. Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	\$70,000.00
3. Acquisition of Site	\$270,000.00
4. Preparation of Site	\$95,000.00
5. Total Construction Costs (4,200 sq ft @ \$175.00/sq ft)	\$735,000.00
6. Contingency Fund	\$100,000.00
7. Fixed Equipment (Not included in Construction Contract)	
8. Moveable Equipment (List all equipment over \$50,000 as separate attachments)	\$500,000.00
9. Other (Specify): _____	

B. Acquisition by gift, donation, or lease:

1. Facility (inclusive of building and land)	
2. Building only	
3. Land only	
4. Equipment (Specify) _____	
5. Other (Specify) _____	

C. Financing Costs and Fees:

1. Interim Financing	
2. Underwriting Costs	
3. Reserve for One Year's Debt Service	
4. Other (Specify) _____	

D. Estimated Project Cost (A+B+C)

\$1,835,000.00

E. CON Filing Fee

\$15,000.00

F. Total Estimated Project Cost (D+E)

TOTAL

\$1,850,000.00

2. Identify the funding sources for this project.

Check the applicable item(s) below and briefly summarize how the project will be financed. **(Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment Section B-Economic Feasibility-2.)**

- ☒ A. Commercial loan – Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;
- ☐ B. Tax-exempt bonds – Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;
- ☐ C. General obligation bonds – Copy of resolution from issuing authority or minutes from the appropriate meeting;
- ☐ D. Grants – Notification of intent form for grant application or notice of grant award;
- ☐ E. Cash Reserves – Appropriate documentation from Chief Financial Officer of the organization providing the funding for the project and audited financial statements of the organization; and/or
- ☐ F. Other – Identify and document funding from all other sources.

RESPONSE: *The project's capital land & construction costs, equipment costs, and organizational costs will be financed through bank loans from First Citizens Bank-Knoxville, Tennessee, totaling \$1,850,000. See letter from lending institution- First Citizens Bank in Attachment Section B-Economic Feasibility-2.*

3. Complete Historical Data Charts on the following two pages—**Do not modify the Charts provided or submit Chart substitutions!**

Historical Data Chart represents revenue and expense information for the last *three (3)* years for which complete data is available. Provide a Chart for the total facility and Chart just for the services being presented in the proposed project, if applicable. **Only complete one chart if it suffices.**

Note that "Management Fees to Affiliates" should include management fees paid by agreement to the parent company, another subsidiary of the parent company, or a third party with common ownership as the applicant entity. "Management Fees to Non-Affiliates" should include any management fees paid by agreement to third party entities not having common ownership with the applicant

RESPONSE: *See Historical Data Chart. This represents the combined utilization data (patient encounters) and combined revenue and expense of the four ophthalmic medical practices ("ESCK-group") associated with the project for the years 2013, 2014, & 2015.*

HISTORICAL DATA CHART

Give information for the last three (3) years for which complete data are available for the facility or agency.

The fiscal year begins in ____January____ (Month).

	Year 2013	Year 2014	Year 2015
A. Utilization Data (Specify unit of measure)	94,210	95,199	101,730
	Patient Encounters	Patient Encounters	Patient Encounters
B. Revenue from Services to Patients			
1 Inpatient Services	\$ -	\$ -	\$ -
2 Outpatient Services	-	-	-
3 Emergency Services	-	-	-
4 Other Operating Revenue (Specify) Patient Services	24,344,357	26,728,685	26,227,326
Gross Operating Revenue	\$ 24,344,357	\$ 26,728,685	\$ 26,227,326
C. Deductions from Gross Operating Revenue			
1 Contractual Adjustments	\$ 11,860,997	\$ 13,645,529	\$ 12,594,411
2 Provision for Charity Care	136,257	166,645	150,949
3 Provisions for Bad Debt	353,834	454,260	406,087
Total Deductions	\$ 12,351,088	\$ 14,266,435	\$ 13,151,447
NET OPERATING REVENUE	\$ 11,993,269	\$ 12,462,250	\$ 13,075,879
D. Operating Expenses			
1 Salaries and Wages			
a. Direct Patient Care	\$ 3,202,198	\$ 3,827,720	\$ 3,394,167
b. Non-Patient Care	-	-	-
2 Physician's Salaries and Wages	\$ 3,400,266	\$ 3,222,416	\$ 4,155,866
3 Supplies	601,552	693,393	737,683
4 Rent			
a. Paid to Affiliates	1,128,646	1,215,651	1,164,458
b. Paid to Non-Affiliates	66,862	71,856	58,724
5 Management Fees:			
a. Paid to Affiliates	-	-	-
b. Paid to Non-Affiliates	-	-	-
6 Other Operating Expenses	2,445,289	2,527,729	2,466,869
Total Operating Expenses	10,844,813	11,558,765	11,977,767
E. Earnings Before Interest, Taxes and Depreciation	\$ 1,148,456	\$ 903,485	\$ 1,098,112
F. Non-Operating Expenses			
1 Taxes	\$ 464,000	\$ 423,975	\$ 404,375
2 Depreciation	228,648	152,491	139,690
3 Interest	93,009	75,863	40,920
4 Other Non-Operating Expenses	-	-	-
Total Non-Operating Expenses	\$ 785,657	\$ 652,329	\$ 584,985
NET INCOME (LOSS)	\$ 362,799	\$ 251,156	\$ 513,127

Chart Continues on to Next Page

NET INCOME (LOSS)	\$	362,799	\$	251,156	\$	513,127
G. Other Deductions						
1 Annual Principal Debt Repayment	\$	339,838	\$	83,246	\$	150,430
2 Annual Capital Expenditure		-		-		-
Total Other Deductions	\$	339,838	\$	83,246	\$	150,430
NET BALANCE	\$	22,961	\$	167,910	\$	362,697
DEPRECIATION		228,648		152,491		139,690
FREE CASH FLOW (Net Balance + Depreciation)	\$	251,609	\$	320,401	\$	502,387

Project Only

HISTORICAL DATA CHART-OTHER EXPENSES

OTHER EXPENSES CATEGORIES

1 Repairs & Maintenance	\$	615,885	\$	586,713	\$	563,314
2 Employee Benefit Programs		489,695		587,951		487,574
3 Pension, profit-sharing, etc. plans		163,225		152,845		114,294
4 Advertising		64,318		63,210		62,377
5 Travel, Meals & Entertainment		91,251		84,322		92,769
6 Legal & Accounting		72,752		67,656		61,533
7 Professional Services		196,225		240,916		218,205
8 Computer Services		136,586		164,885		206,572
9 Insurance		109,866		103,142		129,085
10 Telephone & Utilities		209,612		241,290		227,965
11 Office Expenses		196,226		141,161		199,878
12 Dues & Subscriptions		44,289		61,198		56,267
13 General & Administrative Expenses-Other		55,359		32,440		47,036
Total Other Expenses	\$	2,445,289	\$	2,527,729	\$	2,466,869

4. Complete Projected Data Charts on the following two pages – **Do not modify the Charts provided or submit Chart substitutions!**

The Projected Data Chart requests information for the two years following the completion of the proposed services that apply to the project. Please complete two Projected Data Charts. One Projected Data Chart should reflect revenue and expense projections for the **Proposal Only** (i.e., if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility). The second Chart should reflect information for the total facility. **Only complete one chart if it suffices.**

Note that "Management Fees to Affiliates" should include management fees paid by agreement to the parent company, another subsidiary of the parent company, or a third party with common ownership as the applicant entity. "Management Fees to Non-Affiliates" should include any management fees paid by agreement to third party entities not having common ownership with the applicant.

RESPONSE: *See Projected Data Chart.*

PROJECTED DATA CHART

Give information for the two following the completion of this proposal.

The fiscal year begins in ____January____ (Month).

	Year 2018	Year 2019
A. Utilization Data (Specify unit of measure)	4,014	4,416
	<i>Surgical Cases</i>	<i>Surgical Cases</i>
B. Revenue from Services to Patients		
1 Inpatient Services	\$ -	\$ -
2 Outpatient Services	-	-
3 Emergency Services	-	-
4 Other Operating Revenue (Specify) ASTC-Facility Fees	<u>6,889,740</u>	<u>7,581,091</u>
Gross Operating Revenue	\$ 6,889,740	\$ 7,581,091
C. Deductions from Gross Operating Revenue		
1 Contractual Adjustments	\$ 3,819,338	\$ 4,202,524
2 Provision for Charity Care	59,677	65,664
3 Provisions for Bad Debt	<u>99,462</u>	<u>109,441</u>
Total Deductions	\$ 3,978,477	\$ 4,377,630
NET OPERATING REVENUE	\$ 2,911,263	\$ 3,203,462
D. Operating Expenses		
1 Salaries and Wages		
a. Direct Patient Care	\$ 272,896	\$ 281,083
b. Non-Patient Care	68,640	70,699
2 Physician's Salaries and Wages	-	-
3 Supplies	795,850	893,189
4 Rent		
a. Paid to Affiliates	-	-
b. Paid to Non-Affiliates	-	-
5 Management Fees:		
a. Paid to Affiliates	-	-
b. Paid to Non-Affiliates	-	-
6 Other Operating Expenses	<u>410,207</u>	<u>422,856</u>
Total Operating Expenses	\$ 1,547,593	\$ 1,667,827
E. Earnings Before Interest, Taxes and Depreciation	\$ 1,363,670	\$ 1,535,635
F. Non-Operating Expenses		
1 Taxes	\$ 15,000	\$ 15,450
2 Depreciation	161,429	161,429
3 Interest	60,125	55,500
4 Other Non-Operating Expenses	<u>-</u>	<u>-</u>
Total Non-Operating Expenses	\$ 236,554	\$ 232,379
NET INCOME (LOSS)	\$ 1,127,116	\$ 1,303,256

Chart Continues on to Next Page

NET INCOME (LOSS)	\$	1,127,116	\$	1,303,256
G. Other Deductions				
1 Annual Principal Debt Repayment	\$	131,887	\$	136,512
2 Annual Capital Expenditure		-		-
Total Other Deductions	\$	131,887	\$	136,512
NET BALANCE	\$	995,229	\$	1,166,744
DEPRECIATION		161,429		161,429
FREE CASH FLOW (Net Balance + Depreciation)	\$	1,156,658	\$	1,328,173

Project Only

PROJECTED DATA CHART-OTHER EXPENSES

<u>OTHER EXPENSES CATEGORIES</u>				
1 Repairs & Maintenance	\$	55,000	\$	56,650
2 Employee Benefit Programs		68,307		70,699
3 Pension, profit-sharing, etc. plans		-		-
4 Advertising		5,000		5,150
5 Travel, Meals & Entertainment		6,000		6,180
6 Legal & Accounting		12,000		12,360
7 Professional Services		145,000		149,350
8 Computer Services		30,000		30,900
9 Insurance		22,500		23,175
10 Telephone & Utilities		28,800		29,664
11 Office Expenses		27,600		28,428
12 Dues & Subscriptions		4,000		4,120
13 General & Administrative Expenses-Other		6,000		6,180
Total Other Expenses	\$	410,207	\$	422,856

5. A. Please identify the project's average gross charge, average deduction from operating revenue, and average net charge using information from the Projected Data Chart for Year 1 and Year 2 of the proposed project. Please complete the following table. **RESPONSE:** See Table below.

	Previous Year	Current Year	Year One	Year Two	% Change (Current Year to Year 2)
Gross Charge (Gross Operating Revenue/Utilization Data)	N/A	N/A	\$1,716.43	\$1,716.73	0.00%
Deduction from Revenue (Total Deductions/Utilization Data)	N/A	N/A	\$991.15	\$991.31	0.00%
Average Net Charge (Net Operating Revenue/Utilization Data)	N/A	N/A	\$725.27	\$725.42	0.00%

- B. Provide the proposed charges for the project and discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the project and the impact on existing patient charges.

RESPONSE: This is a new project and there are no existing (current) charges to be affected by the implementation of this proposal. The proposed charges for the project are set forth in the following Section C. along with anticipated revenue from the project which is set forth in the Projected Data Chart.

- C. Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

RESPONSE: The proposed gross charge/case (\$1,716.43- YR 1 & \$1716.73-YR 2) and average net charge/case (\$725.27-YR 1 & \$725.42-YR 2) for the project are lower than the overall average gross charge/case-\$2,275.82 and the overall average net charge/case-\$815.60 for the four similar eye ASTCs in the service area. In addition, the eye ASTC gross charges/net charges are typically lower than multi-specialty ASTC rates and considerably lower than Hospital Outpatient Department (HOPD) payment rates for the same procedures under Medicare. Proposed charges have been scheduled in accordance with the project's most frequently performed procedures by CPT code in contrast with the current Medicare allowable fee schedule for the Knox County, TN CSA -28940 effective as of 1/1/2016, and projected utilization data for YRs 1 & 2. See Schedules below.

**COMPARISON OF GROSS & NET CHARGES OF SERVICE AREA FACILITIES
CY 2015 TO THIS PROJECT (ESCK)-YR 1-2018/YR 2-2019**

ASTC	TOTAL CASES CY2015	TOTAL PROJECTED CASES	GROSS CHARGES	NET AVE CHARGES	GROSS CHARGE/ CASE	NET AVE CHARGE/ CASE
The Eye Surgery Center of Oak Ridge Multispecialty-ASTC (Eye & Plastic)	3,518	N/A	\$ 4,269,068	\$ 2,626,756	\$ 1,213.49	\$ 746.66
Eye Surgery Center of East Tennessee Single Specialty-ASTC Ophthalmology	3,792	N/A	\$ 13,162,772	\$ 4,003,197	\$ 3,471.20	\$ 1,055.70
Knoxville Eye Surgery Center Single Specialty-ASTC Ophthalmology	14,203	N/A	\$ 28,199,293	\$ 10,340,142	\$ 1,985.45	\$ 728.03
Southeast Eye Surgery Center, LLC Single Specialty-ASTC Ophthalmology	2,034	N/A	\$ 7,957,668	\$ 2,234,920	\$ 3,912.32	\$ 1,098.78
TOTAL SERVICE AREA FACILITIES	23,547		\$ 53,588,801	\$ 19,205,015	\$ 2,275.82	\$ 815.60
					AVE	AVE
ESCK-THIS PROJECT						
Single Specialty-ASTC Ophthalmology	YR 1-2018	4,014	\$ 6,889,740	\$ 2,911,263	\$ 1,716.43	\$ 725.27
	YR 2-2019	4,416	\$ 7,581,091	\$ 3,203,462	\$ 1,716.73	\$ 725.42

Source of Information: Joint Annual Reports (JAR)-TN Dept of Health-Div. of Planning And Assessment(PPA)-
Health Facilities Statistics Unit & Projected Data Chart.

Eye Surgery Center of Knoxville (ESCK)-Charge Schedule 66
Cahaba-CMS Medicare Allowable Reimbursement Rates
for Ambulatory Surgery Centers-Effective 1/1/2016
Most Frequent Procedures to be Performed-ESCK

CPT #	Description	ESCK Charge YR 1 & YR 2	Medicare Rates Knox County-TN CSA (28940)*	CPT Group	Projected	Utilization
					YR 1-2018 # Cases	YR 2-2019 # Cases
65855	TRABECULOPLASTY-LASER-1/MORE SESSION	\$ 600.00	\$ 153.07	Laser-SLT	19	21
66761	IRIDOTOMY /IRIDECTOMY BY LASER	\$ 600.00	\$ 162.17	Yag-Pi		
66762	IRIDOPLASTY BY PHOTOCOAGULATION	\$ 600.00	\$ 215.75	Yag-Pi		
66821	YAG CAPSULOTOMY	\$ 600.00	\$ 215.75	Yag-Cap	767	843
66825	REPOSITIONING OF IOL	\$ 2,000.00	\$ 855.22	Cat-Sx		
66852	REMOVAL OF LENS MATERIAL	\$ 2,000.00	\$ 855.22	Cat-Sx		
66982	CATARACT SURGERY COMPLEX	\$ 2,000.00	\$ 855.22	Cat-Sx		
66984	EXTRACAPSULAR CATARACT REMOVAL	\$ 2,000.00	\$ 855.22	Cat-Sx	3,156	3,473
66985	SECONDARY IOL	\$ 2,000.00	\$ 855.22	Cat-Sx		
66986	EXCHANGE OF IOL	\$ 2,000.00	\$ 855.22	Cat-Sx		
67031	YAG VITREOLYSIS	\$ 600.00	\$ 215.75	Laser-Ret		
67145	PROPHYLAXIS RET DETACH-PHOTOCOAG	\$ 600.00	\$ 215.75	Laser-Ret	28	29
67210	PHOTOCOAG LASER RETINA LESION	\$ 600.00	\$ 215.75	Laser-Ret		
65420	EXCISION OF PTERYGIUM w/o GRAFT	\$ 2,000.00	\$ 855.22	Oth-Sx		
65426	EXCISION OF PTERYGIUM w/ GRAFT	\$ 2,000.00	\$ 855.22	Oth-Sx	32	37
65930	REMOVAL BLOOD CLOT-ANT. SEGMENT	\$ 2,000.00	\$ 855.22	Oth-Sx		
66172	TRABECULOTOMY AB EXT	\$ 2,000.00	\$ 855.22	Glauc-Sx		
66711	CYCLOPHOTOCOAGULATION, ENDOSCOPIC (ECP)	\$ 2,000.00	\$ 855.22	Glauc-Sx	12	13
					4,014	4,416

*Source -published CMS ASC Fee Schedule-Cahaba GBA Website.

6. A. Discuss how projected utilization rates will be sufficient to support the financial performance. Indicate when the project's financial breakeven is expected and demonstrate the availability of sufficient cash flow until financial viability is achieved. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For all projects, provide financial information for the corporation, partnership, or principal parties that will be a source of funding for the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as **Attachment Section B-Economic Feasibility-6A**. **NOTE: Publicly held entities only need to reference their SEC filings.**

RESPONSE: *Projected utilization rates will generate positive cash flow for the project in the first year of operation (in excess of \$1,100,000) and in the second year as well (in excess of \$1,300,000) with net operating margins of 46.84% in Year 1 and 47.94% in Year 2 according to the Projected Data Chart. The projected utilization reflects competitive charge rates (less than similar eye ASTCs and HOPDs) and Medicare allowable reimbursement rates. The project is expected to provide sufficient cash flow and be financially viable once operations are initiated.*

See Financial Statements & other financial information included in Attachment Section B-Economic Feasibility-6A.

- B. Net Operating Margin Ratio – Demonstrates how much revenue is left over after all the variable or operating costs have been paid. The formula for this ratio is: (Earnings before interest, Taxes, and Depreciation/Net Operating Revenue).

Utilizing information from the Historical and Projected Data Charts please report the net operating margin ratio trends in the following table:

RESPONSE: *The Historical Data Chart represents summarized financial information from the four ophthalmic medical practices which are owned by the participating physician member-owners ("ESCK group") of the Applicant and is provided for information purposes. Net Operating Margin Ratio is Not Applicable-N/A for the Historical Data Chart.*

The Net Operating Margin Ratio Trends are positive.:

Year	2nd Year previous to Current Year	1st Year previous to Current Year	Current Year	Projected Year 1	Projected Year 2
Net Operating Margin Ratio	N/A	N/A	N/A	46.84%	47.94%

- 68
- C. Capitalization Ratio (Long-term debt to capitalization) – Measures the proportion of debt financing in a business's permanent (Long-term) financing mix. This ratio best measures a business's true capital structure because it is not affected by short-term financing decisions. The formula for this ratio is: (Long-term debt/Total Equity (Net assets)) x 100).

For the entity (applicant and/or parent company) that is funding the proposed project please provide the capitalization ratio using the most recent year available from the funding entity's audited balance sheet, if applicable. The Capitalization Ratios are not expected from outside the company lenders that provide funding.

RESPONSE: *Not Applicable-NA. The Applicant is a newly established entity. Bank financing from commercial bank will fund the entire initial capital, equipment & working capital costs for the project.*

7. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid and medically indigent patients will be served by the project. Additionally, report the estimated gross operating revenue dollar amount and percentage of projected gross operating revenue anticipated by payor classification for the first year of the project by completing the table below.

RESPONSE: *Applicant will fully participate in all Medicare, TennCare/Medicaid programs and will serve medically indigent patients. Applicant currently anticipates Projected Gross Operating Revenue of 56.08% from Medicare/Medicare Managed Care patients and 5.9% from TennCare/Medicaid patients as a % of the Total Project in Year 1. See Table Below*

Applicant's Projected Payor Mix, Year 1

Payor Source	Projected Gross Operating Revenue	As a % of total
Medicare/Medicare Managed Care	\$3,864,029	56.08%
TennCare/Medicaid	\$406,495	5.90%
Commercial/Other Managed Care	\$2,073,123	30.09%
Self-Pay	\$486,416	7.06%
Charity Care	\$59,677	0.87%
Other (Specify) _____		
Total	\$6,889,740	100.00%

8. Provide the projected staffing for the project in Year 1 and compare to the current staffing for the most recent 12-month period, as appropriate. This can be reported using full-time equivalent (FTEs) positions for these positions. Additionally, please identify projected salary amounts by position classifications and compare the clinical staff salaries to prevailing wage patterns in the proposed service area as published by the Department of Labor & Workforce Development and/or other documented sources.

RESPONSE: *See Schedules below.*

Eye Surgery Center of Knoxville**November 10, 2016****3:07 pm****STAFFING ANALYSIS & PLAN**

PERSONNEL:	STATUS	FTE	ESCK HRLY RATE	HRS/ DAY	DAYS/ WK	WKS/ YR	HRS/ YR	PROJECTED COST	
								YR 1	YR 2
RN-Admin & Circulator	FTE	1.00	\$ 32.00	8	5.00	52	2,080	\$ 66,560.00	\$ 68,556.80
RN/Pre-Op/Infection Control	FTE	1.00	\$ 28.00	8	5.00	52	2,080	\$ 58,240.00	\$ 59,987.20
RN/PACU	FTE	1.00	\$ 28.00	8	5.00	52	2,080	\$ 58,240.00	\$ 59,987.20
Surgical Scrub Tech	Shared-PT	0.80	\$ 18.00	8	4.00	52	1,664	\$ 29,952.00	\$ 30,850.56
Surgical Scrub Tech	Shared-PT	0.80	\$ 18.00	8	4.00	52	1,664	\$ 29,952.00	\$ 30,850.56
Surgical Scrub Tech	Shared-PT	0.80	\$ 18.00	8	4.00	52	1,664	\$ 29,952.00	\$ 30,850.56
Direct Patient Care-FTE		5.40					11,232	\$ 272,896.00	\$ 281,082.88
Registration & Medical Records	FTE	1.00	\$ 13.00	8	5.00	52	2,080	\$ 27,040.00	\$ 27,851.20
Billing & Insurance-Administration	FTE	1.00	\$ 20.00	8	5.00	52	2,080	\$ 41,600.00	\$ 42,848.00
Non-Patient Care-FTE	-	2.00					4,160	\$ 68,640.00	\$ 70,699.20
Total FTE Equivalents	-	7.40						\$ 341,536.00	\$ 351,782.08
Staffing Taxes & Benefit Cost @	20%							\$ 68,307.20	\$ 70,356.42
*Projected Increase in Wages @ 3%/YR									
TOTAL								\$ 409,843.20	\$ 422,138.50

Schedule of Proposed Compensation by Job Discipline
Eye Surgery Center of Knoxville

Source: TN Dept of Labor & Workforce Dev. Div Emp. Sec. R&S-Knoxville MSA 2015					
PERSONNEL/Job Discipline:	STATUS	ESCK HRLY RATE	Entry Level HRLY RATE	Median HRLY RATE	Experienced HRLY RATE
RN-Admin & Circulator	FTE	\$ 32.00	\$ 20.55	\$ 26.10	\$ 28.80
RN/Pre-Op/Infection Control	FTE	\$ 28.00	\$ 20.55	\$ 26.10	\$ 28.80
RN/PACU	FTE	\$ 28.00	\$ 20.55	\$ 26.10	\$ 28.80
Surgical Scrub Tech	Shared-PT	\$ 18.00	\$ 15.35	\$ 17.60	\$ 18.95
Surgical Scrub Tech	Shared-PT	\$ 18.00	\$ 15.35	\$ 17.60	\$ 18.95
Surgical Scrub Tech	Shared-PT	\$ 18.00	\$ 15.35	\$ 17.60	\$ 18.95
Registration & Medical Records	FTE	\$ 13.00	\$ 11.25	\$ 14.40	\$ 17.50
Billing & Insurance-Administration	FTE	\$ 20.00	\$ 10.40	\$ 17.20	\$ 19.65

- 70
9. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:
- A. Discuss the availability of less costly, more effective and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, justify why not, including reasons as to why they were rejected.
 - B. Document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements.

RESPONSE: *The Applicant considered alternatives of renovating an existing building in another area of Knox County but determined that a newly-constructed facility designed to address the long term needs of the physicians and their patients was the best alternative. The ASTC site location in North Knoxville provides the best accessibility and convenience to the physicians and their patients. This Facility will allow the physicians to maximize their productivity in a quality cost-effective environment which can be constructed for a realizable cost. The Applicant believes this specialized ophthalmic ASTC will provide more long-term value to the patients and the physicians. None of the existing ophthalmic ASTCs (which are already highly utilized) can accommodate the total needs of the physicians and their patients.*

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

1. List all existing health care providers (i.e., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, that may directly or indirectly apply to the project, such as, transfer agreements, contractual agreements for health services.

RESPONSE: *The Applicant will seek transfer agreements with both the Covenant Health and Tennova hospital systems with which the physicians currently have admitting privileges. This will include the Tennova North Knoxville Medical Center located on Dannaher Way adjacent to the ASTC project site on Dannaher Drive in Powell, TN, and Fort Sanders Regional Medical Center (Covenant Health)-1901 Clinch Avenue, Knoxville, TN 37916.*

2. Describe the effects of competition and/or duplication of the proposal on the health care system, including the impact to consumers and existing providers in the service area. Discuss any instances of competition and/or duplication arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.

RESPONSE:

- A. **Positive Effects-** *The proposed project will not adversely affect the existing facilities currently providing eye care surgical services and will greatly enhance accessibility for the patients of the four medical practices. This will contribute to the optimization of quality surgical care and outcomes for the elderly population within the Applicant's Service Area. The Service Area needs additional surgical capacity for ophthalmic surgical cases which this project can provide. The existing ophthalmic ASTCs are heavily utilized. The addition of the proposed facility will have a positive effect in addressing the growing eye care needs of the aging population and allow the ESCK group physicians to maximize their productivity.*
 - B. **Negative Effects** *No negative effects will be realized from the approval of this proposed Facility.*
3. A. Discuss the availability of and accessibility to human resources required by the proposal, including clinical leadership and adequate professional staff, as per the State of Tennessee licensing requirements and/or requirements of accrediting agencies, such as the Joint Commission and Commission on Accreditation of Rehabilitation Facilities.

RESPONSE: *The Applicant has strong medical leadership through its experienced Board Certified physicians and they have developed long-standing relationships within the medical community. The Applicant should have no problem obtaining adequate professional staff. There is also existing, experienced professional staff that will be available through the four medical ophthalmic practices.*

Available Professional Anesthesia staff has been identified. See Letter from CRNA in Attachment-Section Contribution to the Orderly Development of Healthcare Clinical Leadership and Human Resources.

The CVs for the physician owners of the medical practices have been included in this Attachment Section as well.

The Applicant has identified Healthcare Consultant, Stephen H. Rudolph, CPA-Eyecare Resources, LLC to assist the Medical Staff and Professional Staff with the licensing and accreditation process-Background information has been included in this Attachment Section- Contribution to the Orderly Development of Healthcare Clinical Leadership and Human Resources.

- B. Verify that the applicant has reviewed and understands all licensing and/or certification as required by the State of Tennessee and/or accrediting agencies such as the Joint Commission for medical/clinical staff. These include, without limitation, regulations concerning clinical leadership, physician supervision, quality assurance policies and programs, utilization review policies and programs, record keeping, clinical staffing requirements, and staff education.

RESPONSE: *The Applicant so verifies.*

- C. Discuss the applicant's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships, residencies, etc.).

RESPONSE: *The Applicant does not anticipate training of students (internships and residency programs) due to the limited size and design of the Facility.*

4. Identify the type of licensure and certification requirements applicable and verify the applicant has reviewed and understands them. Discuss any additional requirements, if applicable. Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.

RESPONSE: *The Applicant verifies that it has reviewed and understands the requirements for establishing a new Single Specialty- Ambulatory Surgical Treatment Center (ASTC) limited to ophthalmic procedures and will seek licensure from the Board for Licensing Healthcare Facilities-Tennessee Department of Health, certification for participation in Medicare and Medicaid/TennCare programs, and accreditation from the American Association for Ambulatory Healthcare(AAAHC).The Applicant will apply for the following:*

Licensure: Board for Licensing Healthcare Facilities-Tennessee Department of Health for Single Specialty- Ambulatory Surgical Treatment Center (ASTC) limited to ophthalmic procedures

Certification Type (e.g. Medicare SNF, Medicare LTAC,etc):

Medicare Certification from CMS and TennCare Certification from TDH as Ambulatory Surgery Center limited to Ophthalmology (Single Specialty)

Accreditation (i.e., Joint Commission, CARF, etc.): American Association for Ambulatory Healthcare. (AAAHC) Accreditation as Ambulatory Surgery Center limited to Ophthalmology (Single Specialty)

- A. If an existing institution, describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility and accreditation designation.

RESPONSE: *Not Applicable (NA)*

- B. For existing providers, please provide a copy of the most recent statement of deficiencies/plan of correction and document that all deficiencies/findings have been corrected by providing a letter from the appropriate agency. **RESPONSE:** *Not Applicable (NA)*

- C. Document and explain inspections within the last three survey cycles which have resulted in any of the following state, federal, or accrediting body actions: suspension of admissions, civil monetary penalties, notice of 23-day or 90-day termination proceedings from Medicare/Medicaid/TennCare, revocation/denial of accreditation, or other similar actions.

RESPONSE: *Not Applicable (NA)*

- 1) Discuss what measures the applicant has or will put in place to avoid similar findings in the future. **RESPONSE:** *Not Applicable (NA)*

November 21, 2016**1:19 pm****AFFIDAVIT**

STATE OF TENNESSEE

COUNTY OF KNOX

Eye Surgery Center of Knoxville

NAME OF FACILITY: _____

I, **Stephen H Rudolph**, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

Stephen H. Rudolph - CPA
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 21st day of November, 2016,
witness my hand at office in the County of Knox, State of Tennessee.

Emily Stevens
NOTARY PUBLIC

My commission expires May 27, 2020.

HF-0043

Revised 7/02



November 10, 2016**3:07 pm**

5. Respond to all of the following and for such occurrences, identify, explain and provide documentation:

A. Has any of the following:

- 1) Any person(s) or entity with more than 5% ownership (direct or indirect) in the applicant (to include any entity in the chain of ownership for applicant);
- 2) Any entity in which any person(s) or entity with more than 5% ownership (direct or indirect) in the applicant (to include any entity in the chain of ownership for applicant) has an ownership interest of more than 5%; and/or
- 3) Any physician or other provider of health care, or administrator employed by any entity in which any person(s) or entity with more than 5% ownership in the applicant (to include any entity in the chain of ownership for applicant) has an ownership interest of more than 5%.

B. Been subjected to any of the following:

- 1) Final Order or Judgment in a state licensure action; **RESPONSE:** *Yes. See Attachment-Section C. Contribution to Orderly Development which includes Practitioner Profile Data, Licensure Verification & Agreed Citation from State of Tennessee Department of Health-Bureau of Health Licensure and Regulation for Thomas Browning, MD related to insufficient continuing education credits maintained in 2008. The terms of the Agreed Citation regarding insufficient continuing education credits and additional required continuing education credits were subsequently met along with payment of the assessed civil penalty of \$480.*
- 2) Criminal fines in cases involving a Federal or State health care offense; **RESPONSE:** *No*
- 3) Civil monetary penalties in cases involving a Federal or State health care offense;
RESPONSE: *Yes- See response in Section B. 1).above.*
- 4) Administrative monetary penalties in cases involving a Federal or State health care offense; **RESPONSE:** *No*
- 5) Agreement to pay civil or administrative monetary penalties to the federal government or any state in cases involving claims related to the provision of health care items and services; and/or **RESPONSE:** *No*
- 6) Suspension or termination of participation in Medicare or Medicaid/TennCare programs. **RESPONSE:** *No*
- 7) Is presently subject of/to an investigation, regulatory action, or party in any civil or criminal action of which you are aware. **RESPONSE:** *No*
- 8) Is presently subject to a corporate integrity agreement. **RESPONSE:** *No*

6. Outstanding Projects: **RESPONSE:** *Not Applicable (NA)*

A. Complete the following chart by entering information for each applicable outstanding CON by applicant or share common ownership; and

<u>Outstanding Projects</u>					
<u>CON Number</u>	<u>Project Name</u>	<u>Date Approved</u>	<u>*Annual Progress Report(s)</u>		<u>Expiration Date</u>
			<u>Due Date</u>	<u>Date Filed</u>	

* Annual Progress Reports – HSDA Rules require that an Annual Progress Report (APR) be submitted each year. The APR is due annually until the Final Project Report (FPR) is submitted (FPR is due within 90 ninety days of the completion and/or implementation of the project). Brief progress status updates are requested as needed. The project remains outstanding until the FPR is received.

B. Provide a brief description of the current progress, and status of each applicable outstanding CON. **RESPONSE:** *Not Applicable (NA)*

7. Equipment Registry – For the applicant and all entities in common ownership with the applicant.

- A. Do you own, lease, operate, and/or contract with a mobile vendor for a Computed Tomography scanner (CT), Linear Accelerator, Magnetic Resonance Imaging (MRI), and/or Positron Emission Tomographer (PET)? No-Not Applicable (NA)
- B. If yes, have you submitted their registration to HSDA? If you have, what was the date of submission? Not Applicable (NA)
- C. If yes, have you submitted your utilization to Health Services and Development Agency? If you have, what was the date of submission? Not Applicable (NA)

QUALITY MEASURES

Please verify that the applicant will report annually using forms prescribed by the Agency concerning continued need and appropriate quality measures as determined by the Agency pertaining to the certificate of need, if approved.

RESPONSE: *The Applicant so verifies.*

SECTION C: STATE HEALTH PLAN QUESTIONS

T.C.A. §68-11-1625 requires the Tennessee Department of Health's Division of Health Planning to develop and annually update the State Health Plan (found at <http://www.tn.gov/health/topic/health-planning>). The State Health Plan guides the State in the development of health care programs and policies and in the allocation of health care resources in the State, including the Certificate of Need program. The 5 Principles for Achieving Better Health are from the State Health Plan's framework and inform the Certificate of Need program and its standards and criteria.

Discuss how the proposed project will relate to the 5 Principles for Achieving Better Health found in the State Health Plan.

1. The purpose of the State Health Plan is to improve the health of the people of Tennessee.

RESPONSE: *The approval of this proposed facility by HSDA is consistent with State Health Plan to improve healthcare by providing a cost effective quality care environment to address the significant increases in age-related eye diseases for the aging population*

2. People in Tennessee should have access to health care and the conditions to achieve optimal health.

RESPONSE: *This project will provide better accessibility for the increasing elderly 65+ yrs. patient population in the greater Knoxville (eight county) service area. The need for age-related eye surgery continues to rise and the proposed facility will significantly improve the efficiency of the six ophthalmic specialists, maximize their productivity, and increase overall accessibility of quality care to the service area. Existing ASTCs providing eye services are highly utilized and accessibility is limited. Additional ASTC surgical capacity is necessary to address the need.*

3. Health resources in Tennessee, including health care, should be developed to address the health of people in Tennessee while encouraging economic efficiencies.

RESPONSE: *With anticipated shortages in ophthalmic providers in the near term, it is critical to enable surgical efficiencies through specialized facilities that can address increasing patient volumes in a cost-effective environment. This project is cost effective and would provide a valuable resource for both the physicians and the patients they serve in the eight county Tennessee service area.*

4. People in Tennessee should have confidence that the quality of health care is continually monitored and standards are adhered to by providers.

RESPONSE: *Each of the four medical ophthalmic practices participating in this project are well established in the Knoxville area and have been providing quality eye care and surgery for 20+ years. The six ophthalmic surgeons are all Board-certified and three of the physicians are fellowship trained as subspecialists. The Applicant's group is*

committed to excellence and will seek accreditation from Accreditation Association of Ambulatory Health Care (AAAHC) and will maintain the highest degree in standard of care for the patients they serve within the Facility.

5. The state should support the development, recruitment, and retention of a sufficient and quality health workforce.

RESPONSE: *The Facility will not have any major effect on the health workforce other than to improve the efficiencies and provide an additional cost effective environment through which the work force participates.*

PROOF OF PUBLICATION

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper that includes a copy of the publication as proof of the publication of the letter of intent.

RESPONSE: *See Publication Affidavit from Knoxville News Sentinel with copy of the publication as Proof of the Publication of the letter of intent-Attachment.*

NOTIFICATION REQUIREMENTS

(Applies only to Nonresidential Substitution-Based Treatment Centers for Opiate Addiction)

Note that T.C.A. §68-11-1607(c)(9)(A) states that "...Within ten (10) days of the filing of an application for a nonresidential substitution-based treatment center for opiate addiction with the agency, the applicant shall send a notice to the county mayor of the county in which the facility is proposed to be located, the state representative and senator representing the house district and senate district in which the facility is proposed to be located, and to the mayor of the municipality, if the facility is proposed to be located within the corporate boundaries of a municipality, by certified mail, return receipt requested, informing such officials that an application for a nonresidential substitution-based treatment center for opiate addiction has been filed with the agency by the applicant."

Failure to provide the notifications described above within the required statutory timeframe will result in the voiding of the CON application.

Please provide documentation of these notifications. **RESPONSE:** *Not Applicable-N/A*

DEVELOPMENT SCHEDULE

T.C.A. §68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

1. Complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.

RESPONSE: *See Project Completion Forecast Chart on the next page.*

2. If the response to the preceding question indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph, please state below any request for an extended schedule and document the "good cause" for such an extension. **RESPONSE:** *Not Applicable-N/A. The Applicant anticipates completing the project within the period of validity.*

PROJECT COMPLETION FORECAST CHART

Assuming the Certificate of Need (CON) approval becomes the final HSDA action on the date listed in Item 1. below, indicate the number of days from the HSDA decision date to each phase of the completion forecast.

Phase	Days Required	Anticipated Date [Month/Year]
1. Initial HSDA decision date		Feb-2017
2. Architectural and engineering contract signed	5	Feb-2017
3. Construction documents approved by the Tennessee Department of Health	75	May-2017
4. Construction contract signed	105	Jun-2017
5. Building permit secured	112	Jun-2017
6. Site preparation completed	142	Jul-2017
7. Building construction commenced	148	Jul-2017
8. Construction 40% complete	193	Sep-2017
9. Construction 80% complete	238	Oct-2017
10. Construction 100% complete (approved for occupancy)	268	Nov-2017
11. *Issuance of License	298	Dec-2017
12. *Issuance of Service	315	Jan-2018
13. Final Architectural Certification of Payment	360	Feb-2018
14. Final Project Report Form submitted (Form HR0055)	420	Apr-2018

*For projects that **DO NOT** involve construction or renovation, complete Items 11 & 12 only.

NOTE: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF KNOX

Stephen H. Rudolph, being first duly sworn, says that he is the applicant named in this application or its lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. §68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete.

Stephen H. Rudolph, CPA
SIGNATURE/TITLE

Sworn to and subscribed before me this 31st day of October, 2016
(Month) (Year)

a Notary Public in and for the County/State of Knox Co. / Tennessee.

Emily Stevens
NOTARY PUBLIC

My commission expires May 27th, 2020
(Month/Day) (Year)



Attachment Section A-6B-1,a-d

Plot Plan



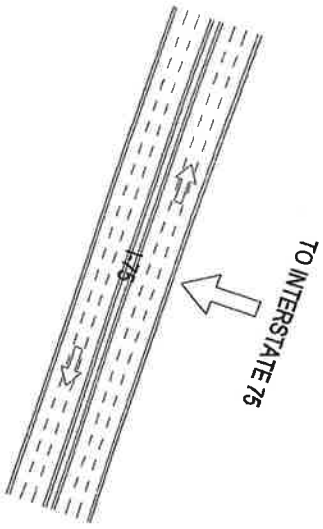
PLOT PLAN - EYE SURGERY CENTER OF KNOXVILLE
DANNAHER DR, POWELL, TN

EYE SURGERY CENTER
 OF KNOXVILLE

PLOT PLAN

DANNAHER DRIVE
 POWELL, TN

EXISTING SITE 1.60 ACRES



ANCILLARY RD (UNNAMED)

DANNAHER DR.

NEW OPHTHALMIC
 ASTC BUILDING
 APPROX. 4,200 SF

DUMPSTER
 ENCLOSURE

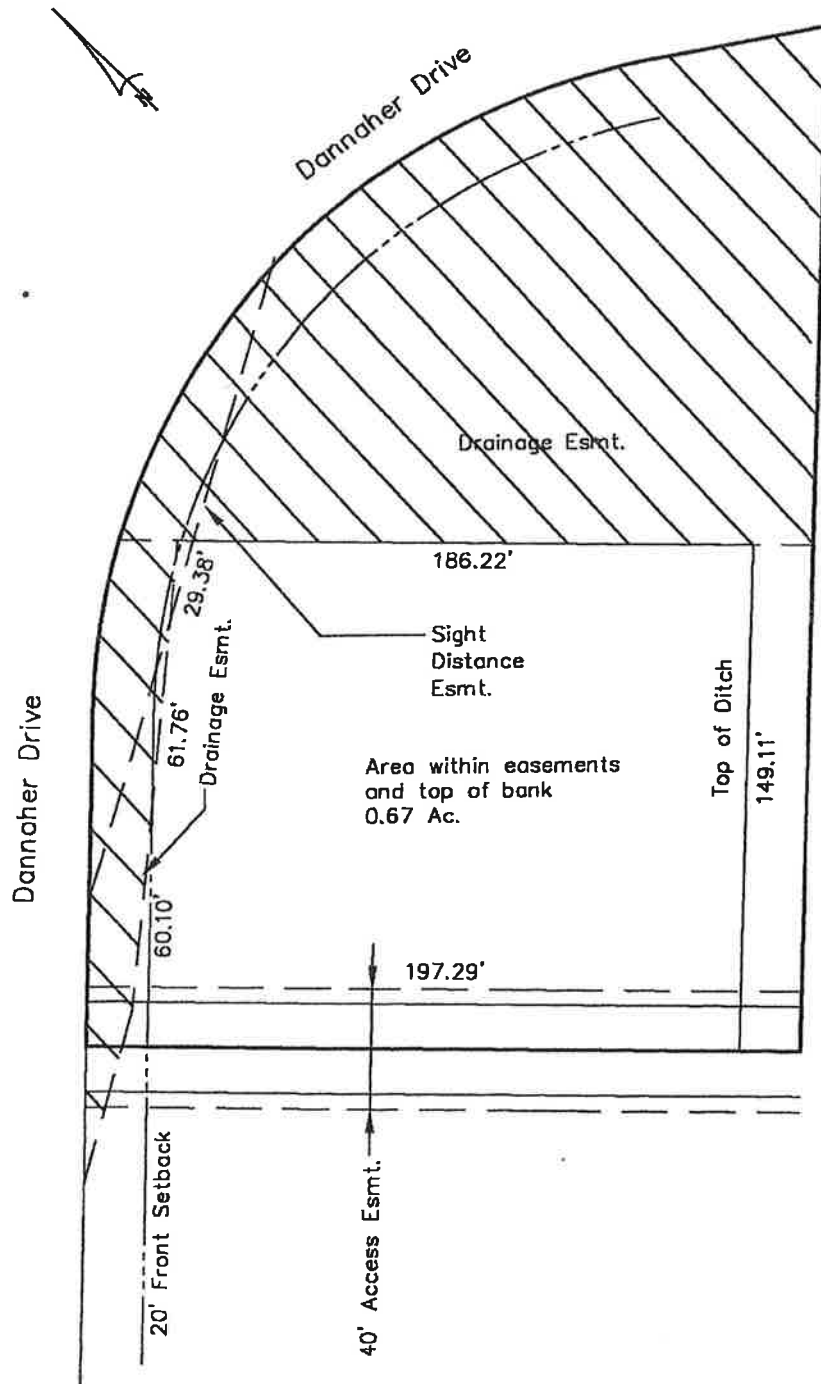
EXISTING
 RETENTION

PROP. LINE

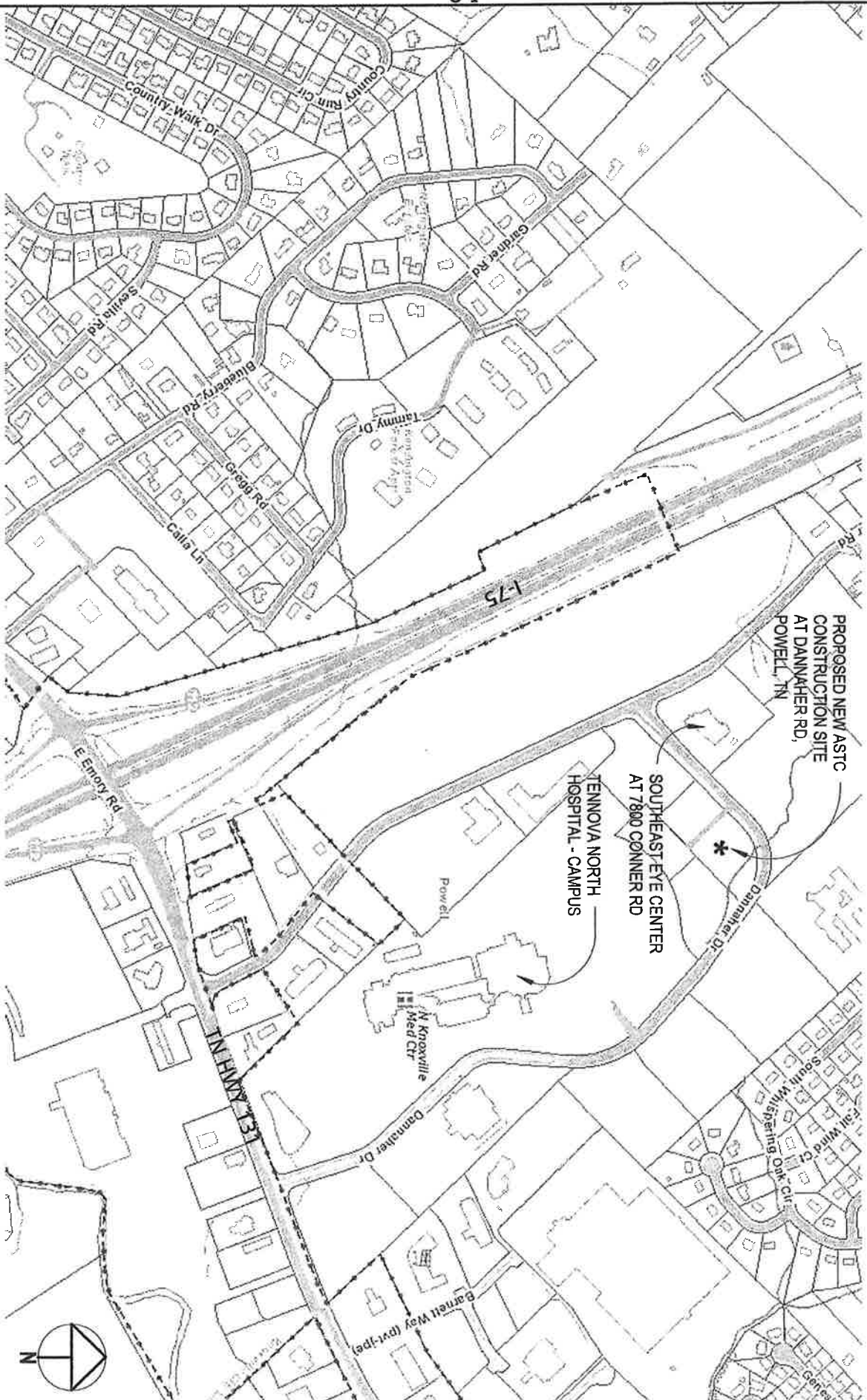
PROP. LINE

TO CONNER RD.





EYE SURGERY CENTER OF KNOXVILLE - ACCESSIBILITY OF PROPOSED SITE TO INTERSTATE I-75 & HWY 131 PROPOSED SITE ON DANNAHER DRIVE - POWELL, TN - KNOX COUNTY



Attachment Section A-6B-2

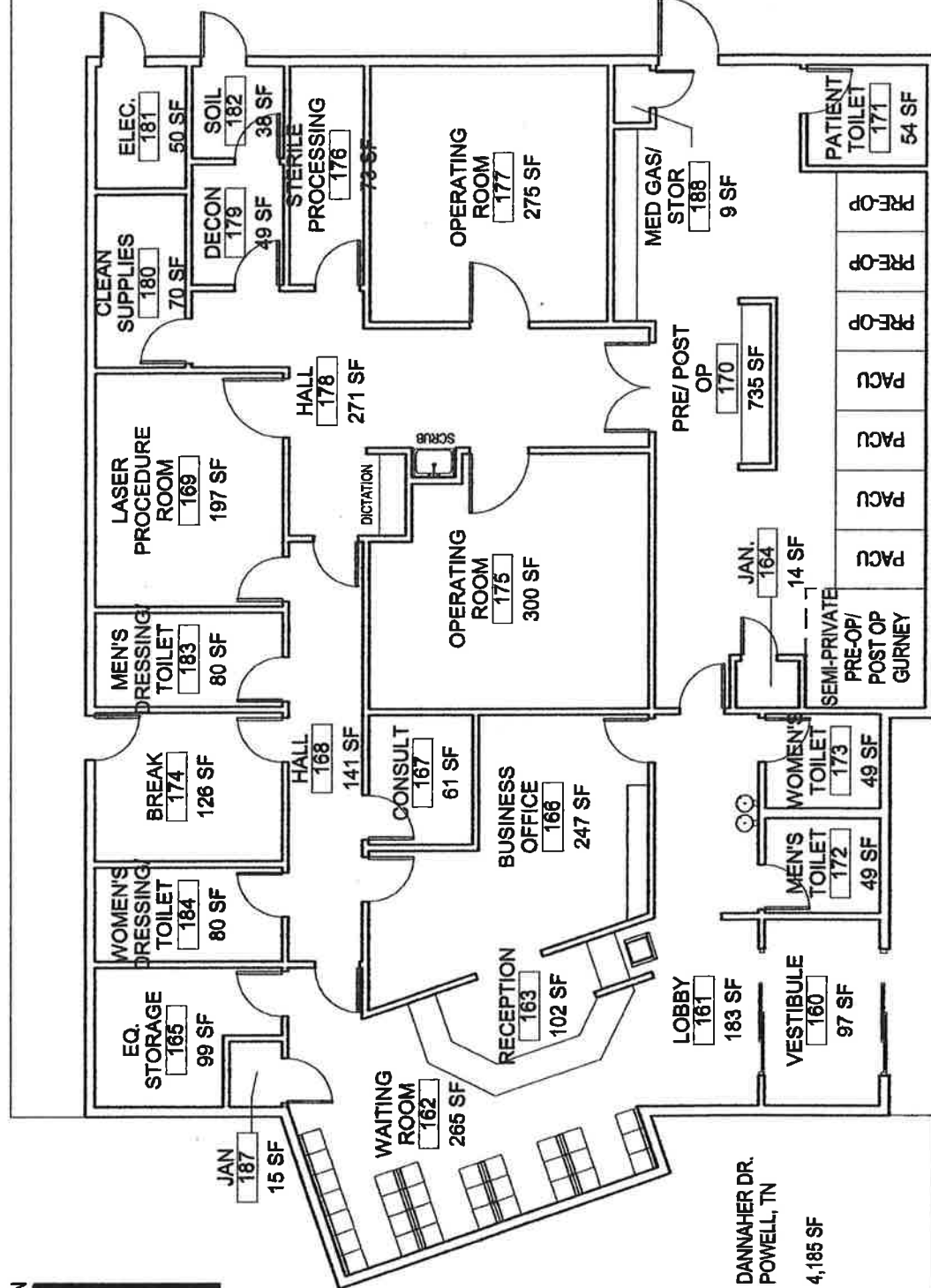
Floor Plan

FLOOR PLAN - EYE SURGERY CENTER OF KNOXVILLE

DANNAHER DR. - POWELL, TN

Urban

associates, p.c



EYE SURGERY CENTER OF KNOXVILLE

DANNAHER DR. POWELL, TN

FLOOR PLAN

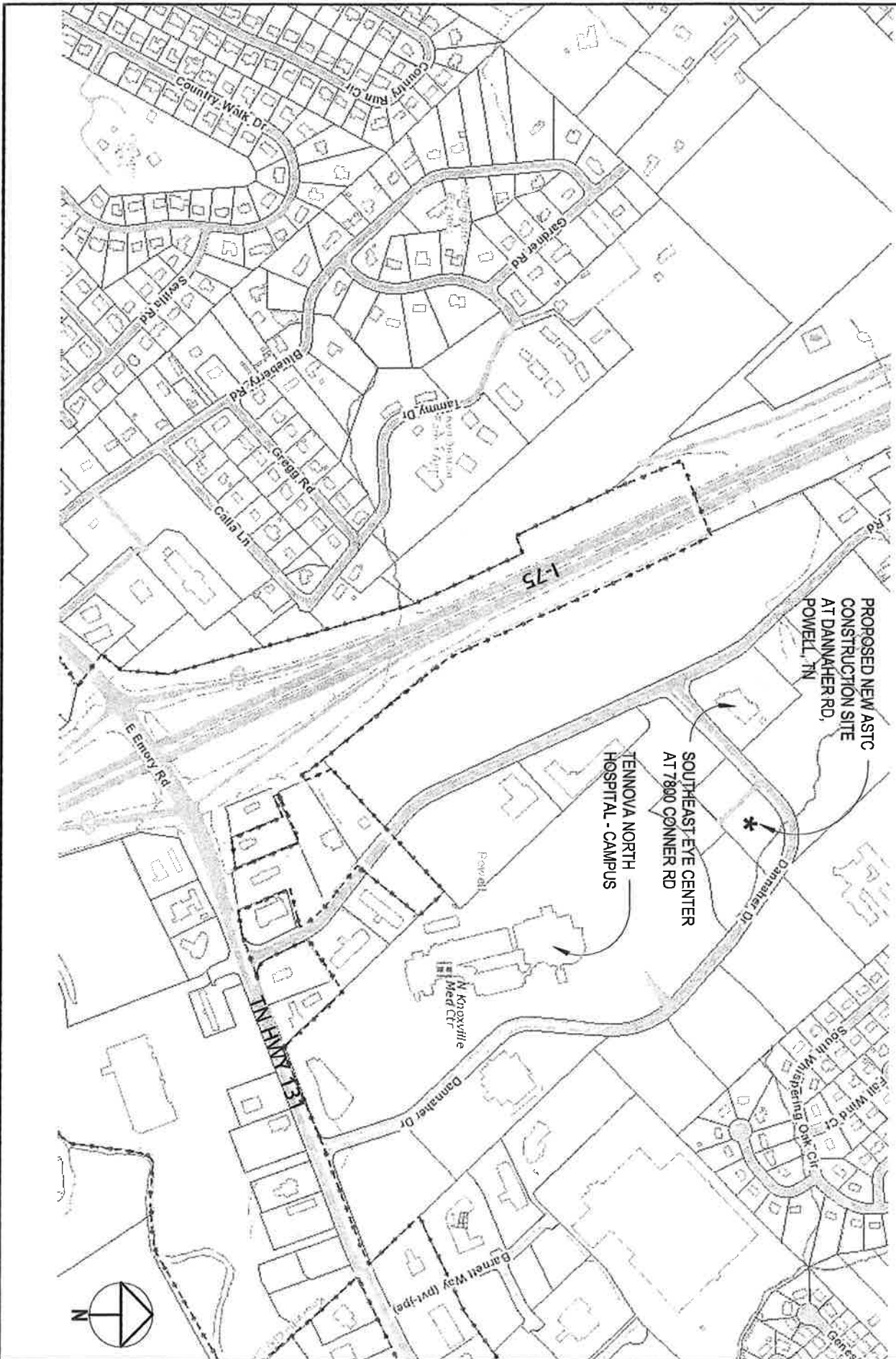
TOTAL GROSS AREA: 4,185 SF

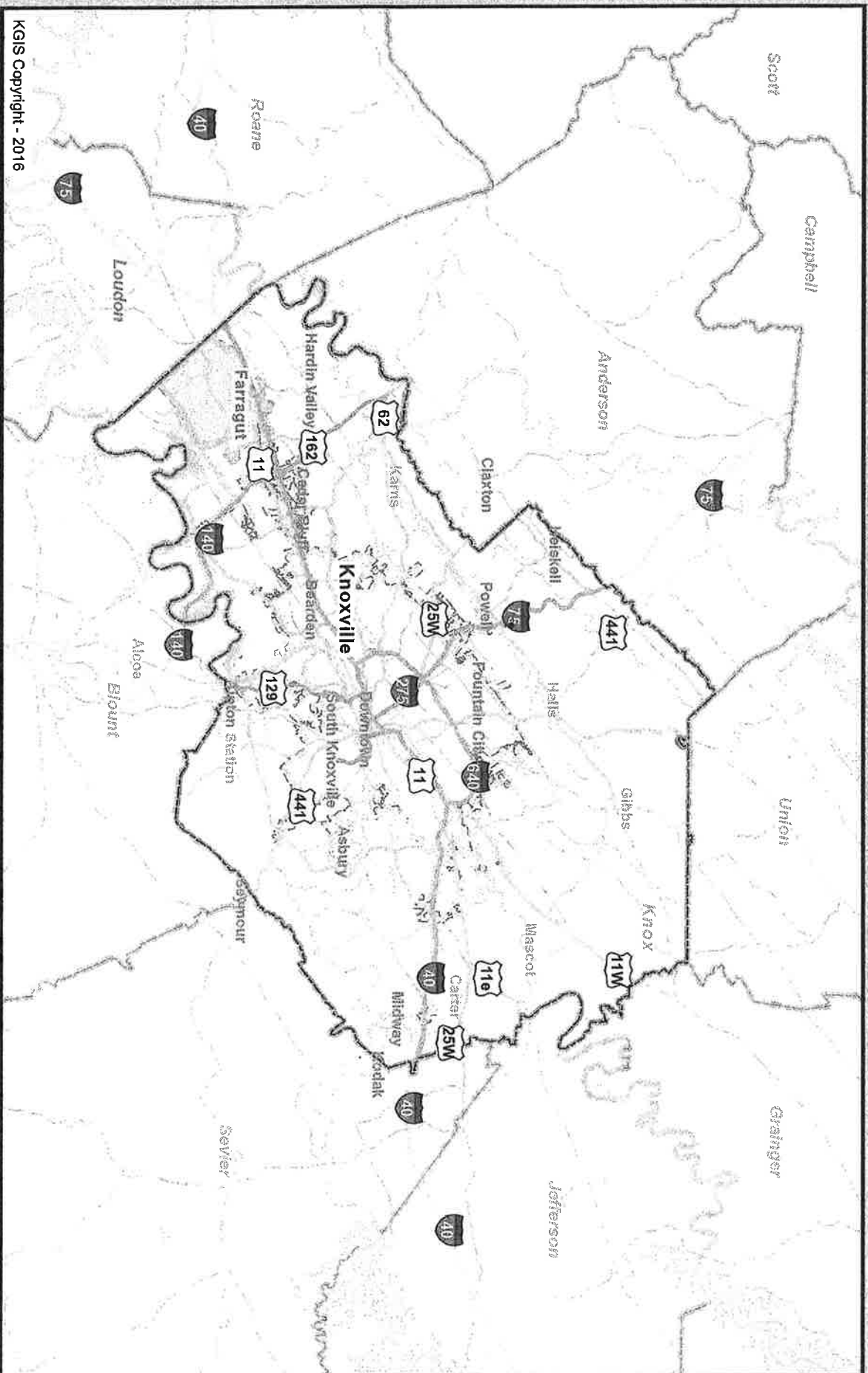


Attachment Section A-6B-3

Accessibility of Project Site

**EYE SURGERY CENTER OF KNOXVILLE - ACCESSIBILITY OF PROPOSED SITE TO INTERSTATE I-75 & HWY 131
PROPOSED SITE ON DANNAHER DRIVE - POWELL, TN - KNOX COUNTY**





KGIS Copyright - 2016

Eye Surgery Center of Knoxville

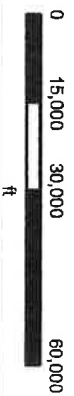
Dannaher Drive, Powell, TN 37849

Accessibility to Proposed ASTC Site

Knoxville - Knox County - KUB Geographic Information System

KGIS makes no representation or warranty as to the accuracy of his map and its information nor to its fitness for use. Any user of this map product accepts the same AS IS, WITH ALL FAULTS, and assumes all responsibility for the use thereof, and further covenants and agrees to hold KGIS harmless from any and all damage, loss, or liability arising from any use of this map product.

Printed: 9/20/2016 at 4:32:49 PM

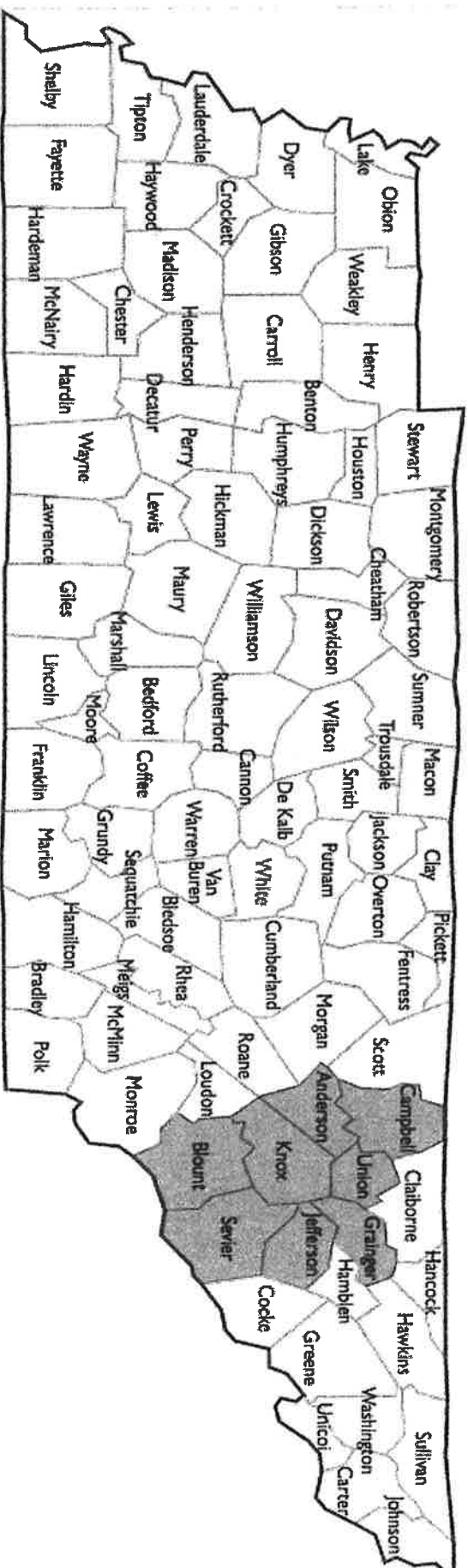


Attachment Section B-Need-3

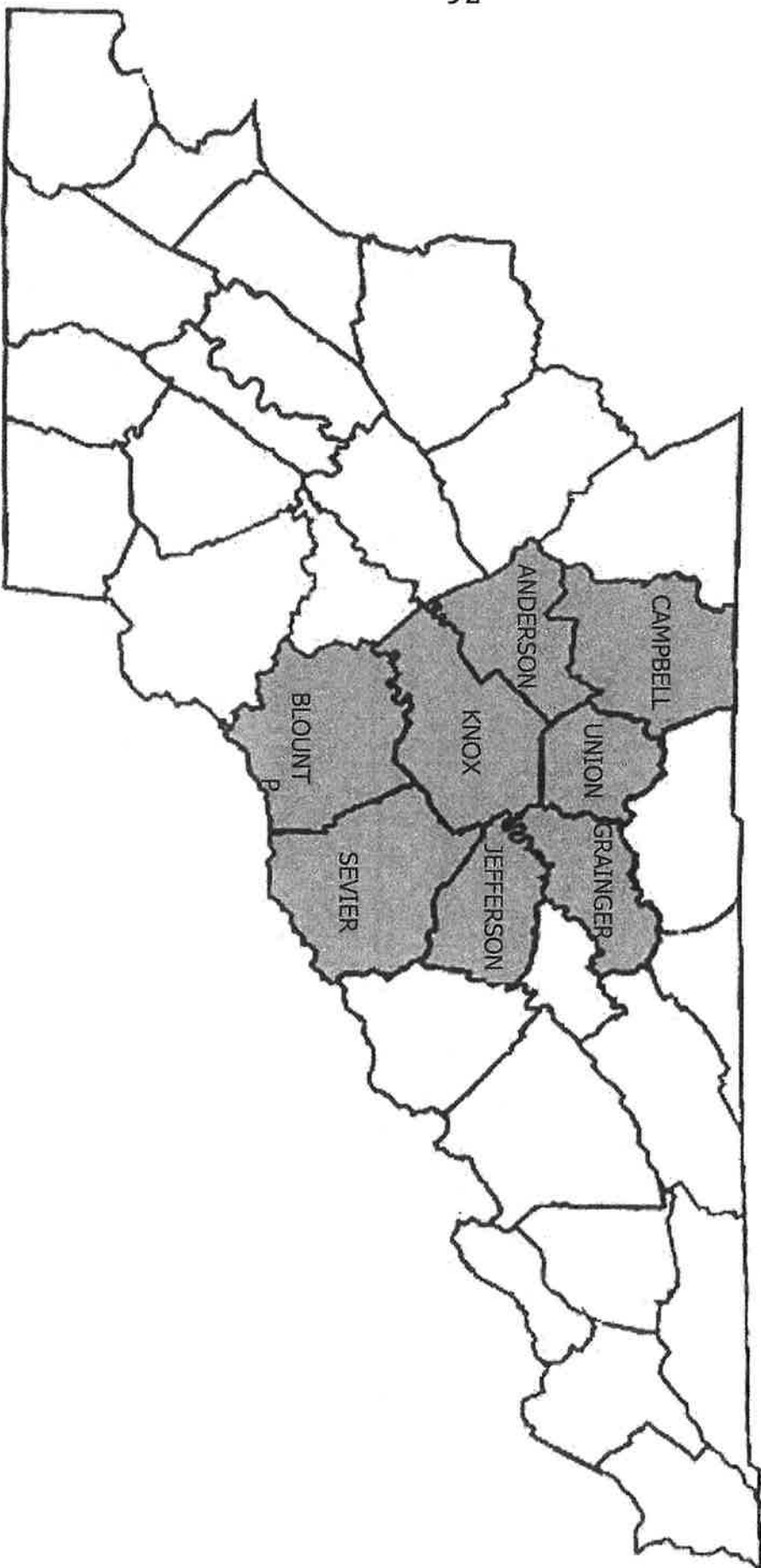
Service Area

91

91



PRIMARY SERVICE AREA
EYE SURGERY CENTER OF KNOXVILLE



**Attachment Section B-Economic
Feasibility-1**

**Documentation of Construction Cost
Estimate**



October 6, 2016

Ms. Melanie M. Hill-Executive Director
 Tennessee Health Services & Development Agency
 502 Deaderick Street
 Andrew Jackson Bldg., 9th Floor
 Nashville, TN 37243

RE: Eye Surgery Center of Knoxville-Dannaher Drive, Powell, TN (Knox County)
Project: Single Specialty-Ophthalmic Ambulatory Surgical Treatment Center (ASTC)
Documentation for CON Application

Dear Ms. Hill:

On behalf of our client, Eye Surgery Center of Knoxville, LLC we are pleased to address certain issues related to the proposed new construction of the above-referenced project.

Description of the Project-The proposed ASTC will be a single-specialty facility limited to eye surgery procedures and limited to patients not requiring general anesthesia. The proposed ASTC facility will be new construction to be located on approximately 1.6 acres of land on Dannaher Drive in Powell, TN. Based on our preliminary floor plan and plot plan showing the building design (also being submitted with the CON Application) the total space for the ASTC will be approximately 4,200 square feet. The proposed ASTC space includes two (2) operating rooms, one (1) laser room, waiting room and reception area, business office, Pre-Op/Post-Op Area with three (3) pre-op stations, four (4) post-op/PACU stations, and a semi-private pre-op/post-op station supervised by a central nursing station, consult room, equipment storage room, and other appropriate support areas. Please refer to floor plan for the project for additional information.

Estimate of Project Construction Cost-Based on our previous experience and knowledge with the construction of medical buildings and healthcare facilities and considering the current healthcare construction cost market for similar projects, it is our professional opinion that a

projected construction cost of \$735,000 (exclusive of land and site development costs) is a reasonable estimate for the ASTC facility. This is based on our preliminary floor plan design of approximately 4,200 gross square feet at a construction cost rate of \$175.00 per square foot. The site development costs are estimated at \$95,000 based on our proposed site design layout and plot plan which provides for thirty-seven (37) regular parking spaces and four (4) handicapped parking spaces. In addition, we have recommended a contingency amount of an additional \$100,000 for construction and site development costs for the project.

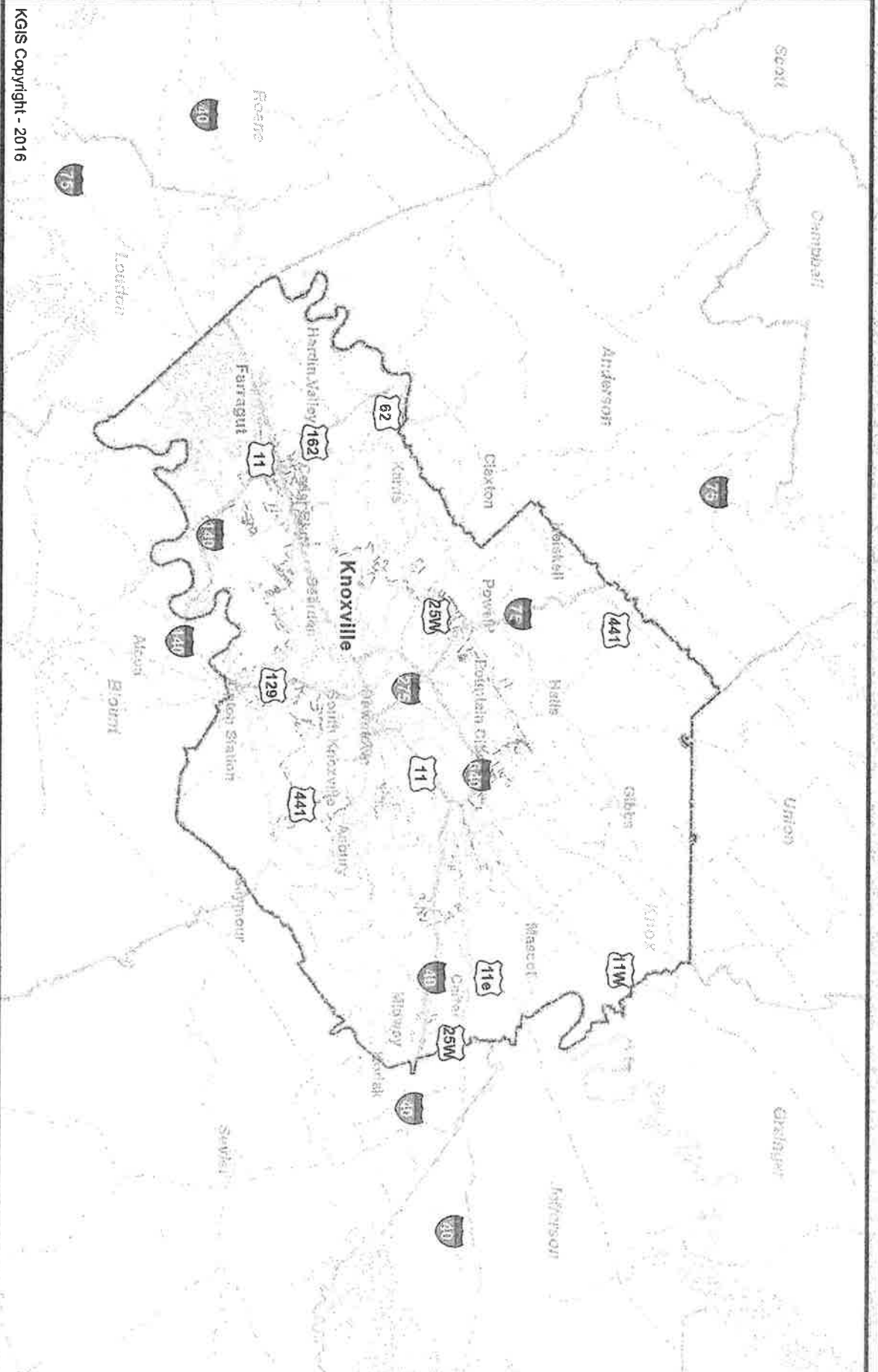
Suitability of Site for Proposed Project-The site for the proposed project is well suited for the planned ASTC development. As indicated on the plot plan submitted, the site is located in Knox County on Dannaher Drive, Powell, TN on a 1.6 acre parcel that is adjacent to the Tennova North Hospital campus. The Dannaher Drive site is located across the street from two of the ophthalmic medical practices associated with the project in the Southeast Eye Center-Medical office building at 7800 Conner Rd, Powell, TN. The close proximity of the ASTC site to the ophthalmic clinics will provide convenience for the physicians and their patients needing eye surgery. The proposed ASTC site has good accessibility to US Interstate-75 and other major highways and roads that serve the greater Knoxville Metropolitan Service Area and primary service area for the project (Knox County and seven other nearby counties). See Accessibility Map which accompanies this letter. The plot plan indicates access to the site is available from both Dannaher Drive and an existing ancillary road. The parcel has a designated water retention area of approximately 0.6 acres so the remaining acreage (1.0 acres) was utilized for designing the site and facility design layout. In summary, the proposed site is well suited in all aspects for the ASTC facility being considered for development.

Attestation- We attest that the physical environment and all aspects of the ASTC project will conform to all applicable federal standards, manufacturer's specifications, and licensing agencies' requirements including the AIA Guidelines for Design and Construction of Hospital and Health Care Facilities in current use by the licensing authority.

Sincerely,



Brian Bullard, AIA, NCARB
Principal - UrbanArch Associates, P.C.
TN License #101492
Uarch16021_UA_CON_ltr



KGIS Copyright - 2016

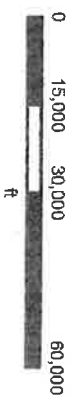
Eye Surgery Center of Knoxville

Dannaher Drive, Powell, TN 37849
 Accessibility to Proposed ASTC Site

Knoxville - Knox County - KUB Geographic Information System

KGIS makes no representation or warranty as to the accuracy of his map and its information nor to its fitness for use. Any user of this map product accepts the same AS IS, WITH ALL FAULTS, and assumes all responsibility for the use thereof, and further covenants and agrees to hold KGIS harmless from any and all damage, loss, or liability arising from any use of this map product.

Printed: 9/20/2016 at 4:32:49 PM



**Attachment Section B-Economic
Feasibility-2**

**Documentation of Funding Resources for
Project**



September 28, 2016

Melanie M. Hill, Executive Director
Tennessee Health Services and Development Agency
Andrew Jackson State Office Building, Suite, 850
500 Deaderick Street
Nashville, Tennessee 37243

RE: Eye Surgery Center of Knoxville, LLC

Dear Mrs. Hill:

This letter is to provide assurance that First-Citizens Bank & Trust Company is familiar with Eye Surgery Center of Knoxville, LLC's project, which is seeking Certificate of Need ("CON") approval.

The Bank has already provided a \$150,000.00 line of credit at an interest rate of prime (currently 3.50%) to support the CON process and other organizational and start-up costs for the project.

We understand that the financing to complete the project upon CON approval would require additional funding of approximately \$1,700,000.00. Upon submittal and approval of a formal financing application, we would expect to be able to provide the additional funding for both construction and permanent financing for this project. The total Bank commitment with the existing line of credit and the additional loan package would be approximately \$1,850,000.00 for the project.

The additional loan package on this project would of course reflect market conditions at the time of loan approval. Currently, we would expect to finance this type of project at an interest rate of approximately 3.00% for a term of 15 years (monthly payments based on a 20 year amortization) for the real estate portion-estimated to total \$1,200,000.00. We would expect to finance the equipment portion, estimated to total \$500,000.00, of the project for up to 7 years. Currently the fixed rate of interest on this equipment portion would be 3.15% with 84 monthly payments.

We look forward to helping with the financing of this project.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Ken Richardson'.

Ken Richardson
Senior Vice President
Knoxville Tennessee Manager Business Banking

**Attachment Section B-Economic
Feasibility-6A**

Financial Statements

Eye Care Surgery Center of Knoxville, LLC
Balance Sheet
Unaudited-Cash Basis

As of 8/31/2016*

ASSETS

Cash	\$ 14,051.58
Organizational Costs	\$ 6,570.60
TOTAL ASSETS	\$ 20,622.18

LIABILITIES & EQUITY

Liabilities

Note Payable-Line of Credit First Citizens Bank**	\$ 20,000.00
TOTAL LIABILITIES	\$ 20,000.00

Equity

Capital Contributions-Members	\$ 21,000.00
Net Earnings (Deficits)	\$ (20,377.82)
TOTAL EQUITY	\$ 622.18

TOTAL LIABILITIES & EQUITY

\$ 20,622.18

* Inception date 5/24/2016

** Total Line of Credit available-\$150,000 @ 3.5% interest rate (prime)

Note Payable represents \$20,000 drawn on line of credit as of
8/31/2016.

Eye Care Surgery Center of Knoxville, LLC
Income Statement
Unaudited-Cash Basis

**Period 5/24/2016
to 8/31/2016***

Revenues:

\$ -

Expenses:

Consulting Fees

\$ 20,000.00

Travel

\$ 224.82

Bank Finance Charges

\$ 153.00

Total Expenses

\$ 20,377.82

Net Income (Loss)

\$ (20,377.82)

*** Inception date 5/24/2016**

CENTER FOR SIGHT
Balance Sheet
07.11.16

CASH BASIS
UNAUDITED

FINANCIAL STMT JUNE 2016

CHANGES
JUNE 1, 2016 to
JUNE 30, 2016

AS OF
JUNE 30, 2016

COA Number		Last Period Balance	Accumulated Balance
ASSETS			
CURRENT ASSETS			
101	Change Fund		\$160.00
102	Cash on Hand	1,899.11	8,764.13-
103	Cash In Bank	13,932.56	36,072.54-
104	Petty Cash		150.00
105	Kemper Money Fund		
TOTAL CURRENT ASSETS		\$15,831.67	\$44,526.67-
FIXED ASSETS			
106	Furniture, Fixtures, Equipme		\$501,613.21
108	Leasehold Improvements		
110	Automobile		
111	Allowance for Depr		441,224.76-
TOTAL FIXED ASSETS			\$60,388.45
OTHER ASSETS			
115	Prepaid Payroll Taxes		
116	Prepaid Expenses		
117	prepaid ins		
120	Prepaid Corp Income Tax		
125	MC/VISA/AM EXP		
131	Employee Accts Receivable		
135	COMPUTER SOFTWARE		
140	Computer Software		
141	Amortization Computer Softw		
153	new building		3,333.00
156	ADVANCE TO STOCKHOLDERS		
160	Misc. receivables		6,229.60
TOTAL OTHER ASSETS			\$9,562.60
TOTAL ASSETS		\$15,831.67	\$25,424.38

CENTER FOR SIGHT
Balance Sheet
07.11.16

FINANCIAL STMT JUNE 2016

CASH BASIS

UNAUDITED

CHANGES
JUNE 1, 2016 to
JUNE 30, 2016

AS OF
JUNE 30, 2016

COA Number	Last Period Balance	Accumulated Balance
LIABILITIES & STOCKHOLDERS EQUITY		
LIABILITIES		
200	Accounts Payable	
201	FICA Tax Withheld	
202	WH Tax Withheld	0.50-
203	Employee Insurance	1,434.96
204	DEDUCTIONS EMPL DEPENDENT I	30,300.48
205	DEDUCTIONS/LEGAL/PAYABLE	250.00
206	EMPL DENTAL INS	
207	OMIC TAIL COVERAGE	1,080.00
210	Edger Lease Jeff City	
211	notes pyble topographer	
212	Notes Pyble A-Scan	
213	Notes Pyble Suntrust	
214	EQUIP LEASE	38,533.14
215	Accrued Federal Inc Tax	
216	new overdraft loan	33,000.00
217	DE LAGE LANDEN (IOL) MASTER;	7,925.38
218	new loan account	150,506.37
219	US BANKCORP NEXTGEN	
220	EQUIPMENT LEASE	
221	Personal Practice loan srf	40,577.24
222	STEARNS BANK/HAGG-STREIT (v	1,331.42
223	RAULSTON LOAN	47,601.03
230	Retirement Plan Payable	
TOTAL LIABILITIES	\$4,403.82-	\$352,539.52
STOCKHOLDERS EQUITY		
300	Net Profit/Loss	\$75,568.74
301	Capital Stock	7,500.00
302	Retained Earnings	410,183.87-
TOTAL STOCKHOLDERS EQUITY	\$20,235.49	\$327,115.13-

CENTER FOR SIGHT
Income Statement
07.11.16

CASIT BASIS
UNAUDITED

For 1 Period(s) Of Operation.
FINANCIAL STMT JUNE 2016

CHANGES
JUNE 1, 2016 to
JUNE 30, 2016

AS OF
JUNE 30, 2016

COA Number

Last Period Balance Accumulated Balance

TOTAL LIABILITIES & EQUITY

\$15,831.67	10.3	\$25,424.39	1.3
=====		=====	

CENTER FOR SIGHT
Income Statement
07.11.16

CASH BASES
UNAUDITED

For 1 Period(s) Of Operation.
FINANCIAL STMT JUNE 2016

COA Number		Last Period Balance		Accumulated Balance	
INCOME AND COSTS					
	INCOME	JUNE 1 - JUNE 30 2016 (1 MONTH)		JULY 1 - 2015 + JUNE 30 - 2016 (12 MOS.)	
400	Purchase Discounts				
401	Collections/Income	153,737.81	99.7	1,890,352.58	99.0
402	Other Income	459.67	0.3	18,739.26	1.0
410	Gain on Disposal Assets				
415	Refunds	70.00-		327.80-	
425	Interest Income				
TOTAL INCOME		\$154,127.48	100.0	1,908,764.04	100.0

VARIABLE EXPENSES

505	Purchases/contact lens	\$3,899.77	2.5-	\$52,686.33	2.8-
510	Purchases/optical. & supplies	6,768.70	4.4-	161,796.36	8.5-
515	Medical Supply/Drugs	352.14	0.2-	17,000.91	0.9-
516	Professional Entertainment				
520	Salaries/Staff	26,947.23	17.5-	367,119.04	19.2-
525	Taxes/Licenses	235.00	0.2-	7,957.15	0.4-
530	Employers FICA	4,603.67	3.0-	55,140.17	2.9-
535	Employee Retirement Plan				
540	Returned Checks	4.85-		44.15	
545	Equipment Rental			432.64	
550	Interest Expense	1,008.40	0.7-	12,265.15	0.6-
555	Insurance	9,706.31	6.3-	85,914.24	4.5-
557	Travel Expense			973.46	0.1-
558	Food Expense	112.04	0.1-	2,072.10	0.1-
560	Professional meetings			249.00	
TOTAL VARIABLE EXPENSES		\$53,628.41	34.8-	\$763,650.70	40.0-

FIXED EXPENSES

570	gain/loss disp of equity				
605	Administrative Charges				
606	BANK CHGS LATE FEES;	793.98	0.5-	4,324.50	0.2-
610	Books, Dues, Subscriptions			7,114.17	0.4-

CENTER FOR SIGHT
Income Statement
07.11.16

For 1 Period(s) Of Operation.
FINANCIAL STMT JUNE 2016

CASH BASIS

UNAUDITED

JUNE 1 to JUNE 30
2016
(1 MONTH)

JULY 1, 2015
to
JUNE 30 2016 (12 mos.)

COA Number		Last Period Balance		Accumulated Balance	
612	Contributions	300.00	0.2-	400.00	
613	Depreciation				
614	Amortization Expense				
615	Equipment Lease	1,503.18	1.0-	16,534.98	0.9-
620	Legal / Accounting			6,475.00	0.3-
623	Life Insurance				
624	Computer supplies				
625	Office Supply	1,512.38	1.0-	19,841.61	1.0-
627	Parking				
630	Professional Services	1,516.36	1.0-	35,970.24	1.9-
632	Electronic Billing	5,700.13	3.7-	84,135.04	4.4-
635	CREDIT CARD MERCHANT FEES	1,326.65	0.9-	17,594.90	0.9-
640	Rent	21,504.66	14.0-	250,925.70	13.1-
645	Repairs/Maintenance	155.14	0.1-	5,792.54	0.3-
646	Maintenance Contracts	6,714.97	4.4-	88,631.88	4.6-
650	Telephone	1,003.47	0.7-	15,778.77	0.8-
660	Short/Over Expense				
TOTAL FIXED EXPENSES		\$42,030.92	27.3-	\$553,519.33	29.0-
INCOME BEFORE PHYSICIANS BENEFITS		\$58,468.15	37.9	\$591,594.01	31.0
total Dr. Benefits		\$38,232.66	24.8-	\$506,607.88	26.5-
Income Before Income Taxes		\$20,235.49	13.1	\$84,986.13	4.5
Income Taxes					
800	PENALTIES			\$2,135.58	0.1-
810	Federal Income Tax Expense			3,307.81	0.2-
820	Tenn Excise Tax			3,974.00	0.2-
TOTAL INCOME TAXES				\$9,417.39	0.5-
TOTAL INCOME (LOSS)		\$20,235.49	13.1	\$75,568.74	4.0

East Tennessee Eye Surgeons, P.C.
Balance Sheet
As of June 30, 2016

CASH BASIS**UNAUDITED**

	Total
ASSETS	
Current Assets	
Bank Accounts	
1000-00 Petty Cash	220.00
1003-00 Petty Cash - West Office	100.00
1005-00 Petty Cash - Sevierville Office	100.00
1015-00 Cash - Checking	71,090.31
1020-00 Cash - Payroll	461.42
1027-00 Cash - Money Market	61,659.28
Total Bank Accounts	\$133,631.01
Other current assets	
1030-00 Accounts Receivable - Dispensary	6,043.95
1035-00 Due from Dr. Williford	0.00
1035-02 Due from Dr. Dawson	655.14
1035-03 Due from Dr. Robinson	0.00
1035-04 Due from Dr. Gallaher	187.09
1036-00 Due from Dr. Francisco Moreno	0.00
1055-00 Employee Advances	1,500.00
1065-00 Inventory - Optical	27,707.18
1070-00 Inventory - Products	1,294.27
1075-00 Inventory - Vitamins	625.00
1100-00 Prepaid Federal Tax	517.00
1101-00 Prepaid TN F&E Tax	1,319.00
1200-00 Prepaid Rent	0.00
1210-00 Prepaid Expenses	0.00
Total Other current assets	\$39,848.63
Total Current Assets	\$173,479.64
Fixed Assets	
1500-00 Dispensary Equipment	18,849.59
1510-00 Software	66,004.99
1600-00 Furniture & Fixtures	248,441.12
1700-00 Medical Equipment	444,652.55
1705-00 Leasehold Improvements	0.00
1707-00 Accumulated Depreciation	-705,318.12
1710-00 Accumulated Amortization	-62,609.86
Total Fixed Assets	\$10,020.27
Other Assets	
1720-00 Artwork	14,380.00
1730-00 Deposits	0.00
Total Other Assets	\$14,380.00
TOTAL ASSETS	\$197,879.91
LIABILITIES AND EQUITY	

CASH BASIS
UNAUDITED

	Total
Liabilities	
Current Liabilities	
Other Current Liabilities	
2020-00 Profit Sharing Payable	0.00
2027-00 Accounts Payable - Dispensary	7,000.00
2030-00 Social Security Withheld	0.00
2035-00 Medicare Withheld	0.00
2040-00 Federal Taxes Withheld	0.00
2050-00 Employee Garnishment Payable	0.00
2060-00 Employee Pension Payable	0.00
2070-00 Sales Tax Payable	480.00
2080-00 N/P - Dr. Dawson	0.00
2081-00 N/P - Dr. Robinson	0.00
2090-00 Due to Center for Sight	0.00
2091-00 Due to Southeastern Retina Associates	0.00
2092-00 Due to Marco	0.00
Total Other Current Liabilities	\$7,480.00
Total Current Liabilities	\$7,480.00
Total Liabilities	\$7,480.00
Equity	
3000-00 Common Stock	1,000.00
3001-00 Opening Balance Equity	0.00
3010-00 Retained Earnings	81,664.85
Net Income	107,735.06
Total Equity	\$190,399.91
TOTAL LIABILITIES AND EQUITY	\$197,879.91

Thursday, Sep 22, 2016 02:24:19 PM PDT GMT-4 - Cash Basis

This report was created using QuickBooks Online Plus.

East Tennessee Eye Surgeons, P.C.
Profit and Loss
January - June, 2016

	Total
Income	
4001-00 Fees Received	1,037,062.77
4031-00 Patient Refunds	-3,875.66
Total Income	\$1,033,187.11
Cost of Goods Sold	
7000-00 Cash Collections	-92,170.70
7100-00 Change in Receivables	-20,983.35
7110-00 Refunds - Optical	879.95
7210-00 Discounts	18,468.11
7502-00 Purchases	16,750.11
7502-01 Change in Payables	321.37
7510-00 Lab Fees - Optical	26,541.15
8755-00 Rent - Optical	12,221.23
8800-00 Salaries - Optical	30,348.69
8805-00 Bonuses - Optical	1,647.93
8850-00 Supplies - Optical	655.70
8910-00 Taxes - Payroll - Optical	2,260.56
9000-00 Retail Product Sales	-1,904.85
9005-00 Vitamin Sales	-2,164.93
9100-00 Retail Product Purchases	674.31
9105-00 Vitamin Purchases	1,336.00
Total Cost of Goods Sold	\$ -5,118.72
Gross Profit	\$1,038,305.83
Expenses	
5010-00 Advertising	21,145.93
5015-00 Amortization Expense	689.45
5030-00 Automobile Expense	1,061.90
5070-00 Bank Charges	9,798.36
5110-00 Continuing Education	2,156.91
5210-00 Cable Television	797.32
5270-00 Contacts & Supplies	10,123.58
5280-00 Contract Labor	573.55
5320-00 Depreciation	1,283.30
5400-00 Dues & Subscriptions	942.24
5500-00 Equipment Rent	360.00
5570-00 Flowers and Gifts	707.43
5700-00 Insurance - General Liability	8,797.67
5720-00 Insurance - Health and Life	46,586.11
5970-00 Legal & Professional Fees	26,990.72
6010-00 Maintenance Agreements	31,154.85
6015-00 Maintenance & Repairs	1,790.49
6050-00 Meals & Entertainment	1,212.01
6051-00 Meals & Entertainment - Staff	3,303.12
6080-00 Medical Supplies	31,297.56

CASH BASIS
UNAUDITED

	Total
6200-00 Office Expenses	8,683.33
6220-00 Office Refreshments	2,162.13
6370-00 Postage	2,679.53
6400-00 Printing	3,545.18
6550-00 Rent	115,708.81
6550-01 Rent - Storage	2,447.23
6600-00 Salaries	312,284.47
6630-00 Seminars	150.00
6700-00 Taxes - Payroll	24,972.07
6710-00 Taxes - Federal Unemployment	723.67
6720-00 Taxes - State Unemployment	73.12
6730-00 Taxes - Federal Income Tax	600.00
6750-00 Taxes - Other	1,600.55
6780-00 Taxes - State Franchise & Excise	1,400.00
6800-00 Telephone	18,274.78
6890-00 Uniforms Expense	4,287.83
Total Expenses	\$700,365.20
Net Operating Income	\$337,940.63
Other Income	
6001-00 Interest Income	102.22
Total Other Income	\$102.22
Other Expenses	
5725-00 Salaries - Physicians	195,000.00
5725-01 Deferred Compensation - Physicians	6,842.74
5726-00 Payroll Taxes - Physicians	12,523.25
5750-00 Insurance - Health and Life - Physicians	15,941.80
Total Other Expenses	\$230,307.79
Net Other Income	\$ -230,205.57
Net Income	\$107,735.06

Thursday, Jul 21, 2016 02:41:51 PM PDT GMT-4 - Cash Basis

This report was created using QuickBooks Online Plus.



AddicksCPA firm LLP

ACCOUNTANT'S COMPILATION REPORT

May 31, 2016

Steven L. Sterling, MD, PC
Knoxville, Tennessee

Management is responsible for the accompanying financial statements of STEVEN L. STERLING, M.D., P.C. (an S-corporation), which comprise the statement of assets, liabilities, and equity—modified cash basis as of March 31, 2016 and March 31, 2015, and the related statement of revenues, expenses, and retained earnings—modified cash basis for the three months then ended, and for determining that the modified cash basis of accounting is an acceptable financial reporting framework. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

The financial statements are prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Management has elected to omit substantially all the disclosures ordinarily included in financial statements prepared in accordance with the modified cash basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's assets, liabilities, equity, revenues, and expenses. Accordingly, the financial statements are not designed for those who are not informed about such matters.

J. Whitfield Addicks CPA

Addicks CPA Firm LLP

COMPARATIVE STATEMENTS OF ASSETS, LIABILITIES AND EQUITY - MODIFIED CASH BASIS

Steven L. Sterling, MD, PC

March 31, 2016 and March 31, 2015

	March 31,		Increase
	2016	2015	(Decrease)
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash	\$ 59,973.06	\$ 31,927.63	\$ 28,045.43
Due from shareholder	537.49	537.49	-
TOTAL CURRENT ASSETS	\$ 60,510.55	\$ 32,465.12	\$ 28,045.43
<u>PROPERTY AND EQUIPMENT</u>			
Office furniture	\$ 44,597.73	\$ 44,597.73	\$ -
Equipment	393,782.36	383,539.86	10,242.50
Automobile	36,084.98	36,084.98	-
	\$ 474,465.07	\$ 464,222.57	\$ 10,242.50
Less accumulated depreciation	473,028.48	461,828.28	11,200.20
	\$ 1,436.59	\$ 2,394.29	\$ (957.70)
TOTAL ASSETS	\$ 61,947.14	\$ 34,859.41	\$ 27,087.73
<u>LIABILITIES AND STOCKHOLDER'S EQUITY</u>			
<u>CURRENT LIABILITIES</u>			
Due to retirement account	\$ -	\$ (3,125.90)	\$ 3,125.90
TOTAL CURRENT LIABILITIES	\$ -	\$ (3,125.90)	\$ 3,125.90
<u>STOCKHOLDER'S EQUITY</u>			
Common stock - no par value			
Authorized - 2,000 shares			
Issued and outstanding - 100 shares	\$ 1.00	\$ 1.00	\$ -
Retained earnings	61,946.14	37,984.31	23,961.83
	\$ 61,947.14	\$ 37,985.31	\$ 23,961.83
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	\$ 61,947.14	\$ 34,859.41	\$ 27,087.73

See accountant's compilation report.

COMPARATIVE STATEMENTS OF REVENUES, EXPENSES, AND RETAINED EARNINGS - MODIFIED CASH BASIS

Steven L. Sterling, MD, PC

Three months ended March 31, 2016 and March 31, 2015

	January 1 - March 31,		Increase
	2016	2015	(Decrease)
REVENUE			
Professional fees - net of refunds	\$ 317,281.74	\$ 280,240.49	\$ 37,041.25
OPERATING EXPENSES			
Advertising and promotion	\$ 880.20	\$ 4,588.20	\$ (3,708.00)
Automobile	673.21	341.91	331.30
Clinical supplies	5,088.71	3,484.50	1,604.21
Contact lenses	542.85	1,849.83	(1,306.98)
Contributions	-	999.00	(999.00)
Lab fees	1,900.00	464.00	1,436.00
ReSTOR lenses - cost	8,648.00	10,053.50	(1,405.50)
Comanagement - Other	5,756.49	2,946.68	2,809.81
Bank Service Charges	1,892.81	2,530.24	(637.43)
Depreciation	159.62	266.04	(106.42)
Insurance - Health and health savings contributions	19,056.17	12,994.53	6,061.64
Insurance - Malpractice	1,874.00	1,900.00	(26.00)
Miscellaneous	1,138.98	46.82	1,092.16
Office	17,656.37	12,577.38	5,078.99
Professional fees	6,150.00	10,500.00	(4,350.00)
Contract labor	4,334.05	4,496.64	(162.59)
Rent	19,057.94	14,760.08	4,297.86
Retirement plan - staff	2,335.25	(1,605.55)	3,940.80
Salaries - staff	63,156.42	68,929.94	(5,773.52)
Taxes - general	-	1,309.00	(1,309.00)
Taxes - payroll	5,559.74	6,576.40	(1,016.66)
Telephone	4,697.86	4,888.42	(190.56)
Uniforms	1,812.69	675.87	1,136.82
TOTAL OPERATING EXPENSES	\$ 172,371.36	\$ 165,573.43	\$ 6,797.93
OPERATING INCOME BEFORE PROFESSIONAL EXPENSES	\$ 144,910.38	\$ 114,667.06	\$ 30,243.32
PROFESSIONAL EXPENSES			
Doctor's Salary	\$ 107,100.00	\$ 107,100.00	\$ -
Payroll taxes	8,298.18	8,193.15	105.03
Retirement plan	3,701.88	4,821.88	(1,120.00)
Professional Development	2,334.64	-	2,334.64
Travel, meals, & entertainment	2,087.11	5,116.07	(3,028.96)
TOTAL PROFESSIONAL EXPENSES	\$ 123,521.81	\$ 125,231.10	\$ (1,709.29)
OPERATING INCOME	\$ 21,388.57	\$ (10,564.04)	\$ 31,952.61
Other Income	-	-	-
Other Expense	-	-	-
Interest expense	-	(102.26)	102.26
NET INCOME [\$213.89 per share]	\$ 21,388.57	\$ (10,666.30)	\$ 32,054.87
Retained earnings at January 1	40,557.57	48,650.61	(8,093.04)
Retained Earnings at March 31	\$ 61,946.14	\$ 37,984.31	\$ 23,961.83

See accountant's compilation report.

**EYE CARE CENTERS, PLLC dba
TENNESSE EYE CARE
Balance Sheet**

UNAUDITED

As of
June 30, 2016

Assets

Cash & Cash Equivalents

1st Citizens - General	\$ 96,373
1st Citizens - Merchant	77,549
US Bank - W-2 Payroll	17,747
US Bank - K1 - New Account	48,139
1st Bank - TN-Refunds	<u>8,622</u>
Total Cash & Cash Equivalents	\$ 248,430

Accounts Receivable

Insurance Receivable-Net of Adjustments	<u>143,584</u>
Total Accounts Receivable	\$ 143,584

Physical Inventory

Retail - End of Year Inventory Count	<u>260,781</u>
Total Physical Inventory	\$ 260,781

Fixed Assets

Leasehold Improvements	417,262
Fixed Asset- Furniture, Fixtures & Equip	3,049,800
Accumulated Depreciation-Fixed Assets	<u>(3,236,718)</u>
Total Fixed Assets-Net	\$ 230,344

Intangible Assets

Goodwill	<u>92,167</u>
Total Intangible Assets	\$ 92,167

Total Assets

\$ 975,306

Liabilities

Accounts Payable

Accounts Payable	<u>\$ 18,000</u>
Total Accounts Payable	\$ 18,000

Other Payables

Equipment Purchases Payable	<u>9,050</u>
Total Other Payables	\$ 9,050

Long Term Liabilities

N/P - 1st Citizens 530k Lease Line	260,011
N/P - US Bank Corp EPIC	21,812
N/P - 1st Citizens 350k Build Out	45,481
N/P - 1st Citizens Morristown Equip Lease	113,073
N/P - 1st Citizens Line of Credit	57,000
N/P - OCT System	119,322
N/P - Photocoagulator	<u>67,839</u>
Total Long Term Liabilities	\$ 684,538

Total Liabilities

\$ 711,588

Shareholders' Equity

Partners' Equity	(201,154)
Retained Earnings	229,335
Current Income	235,537
Partner Draws	<u>-</u>
Total Shareholders' Equity	\$ 263,718

Liabilities & Shareholders' Equity

\$ 975,306

**EYE CARE CENTERS, PLLC dba
TENNESSE EYE CARE
Profit & Loss Statement**

UNAUDITED

	YTD (6 mos) June 30, 2016
Sales	
Patient Service Fees	\$ 3,207,520
Optical	841,083
Contact Lens	311,425
Other Medical Supplies	11,664
Total Revenues	\$ 4,371,692
 Cost of Goods Sold	
Cost of Goods Sold-Frames, Lenses, Optical & Contact Lens	589,012
Total Cost of Goods Sold	\$ 589,012
 Gross Profit	 \$ 3,782,680
 Operating Expenses	
Salaries and Wages	1,089,448
Physicians' Salaries and Wages	1,069,114
Employee Benefit Programs	208,699
Pension, profit-sharing, etc. plans	127,222
Supplies	125,488
Taxes	10,775
Rent	316,497
Repairs & Maintenance	83,094
Advertising & Promotion	6,309
Travel, Meals & Entertainment	27,856
Legal & Accounting	11,821
Professional Services	52,344
Computer Services	58,850
Insurance	19,244
Telephone & Utilities	184,468
Office Expenses	70,454
Dues & Subscriptions	15,658
General & Administrative Expenses-Other	14,860
Total Operating Expenses	\$ 3,492,201
 Net Operating Income	 \$ 290,479
 Depreciation & Amortization Expense	42,671
Interest Expense	12,271
Total Depreciation & Interest Expense	\$ 54,942
 Net Income	 \$ 235,537

**Attachment Section-Contribution to
Orderly Development-3A**

**Clinical Leadership & Human Resources
for Project**

October 7, 2016

**Eye Surgery Center of Knoxville
c/o Stephen R. Franklin, M.D.
7800 Conner Rd.
Powell, Tn. 37846**

Re: Intent to provide anesthesia for Ambulatory Surgical Treatment Center (ASTC)

Gentlemen:

This letter is to confirm that I, Richard D. Deindorfer, CRNA/A.P.N. (along with associates to be named later), would be pleased to provide anesthesia coverage for the ophthalmic "ASTC" development project you are planning in Powell, Tennessee, subject to the contract negotiations after you have received approval of the Certificate of Need from TN Health Services & Development Agency.

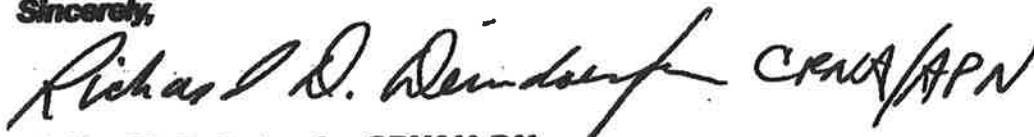
I have provided professional anesthesia care for 30+ years, performing my own billing for the last 20+ years and been contracted with Tennessee Medicare/Medicaid, Blue Cross and TennCare and all appropriate health insurance companies. I plan to utilize a professional anesthesia billing company for this endeavor with ASTC.

I have been providing anesthesia services at Roane Medical Center, Harriman, TN, for the last 30 years and have had the pleasure of providing ophthalmic anesthesia for two of your participating owner physicians/surgeons-Dr. Tom Browning & Dr. Matt Lowrance. I have worked with Dr. Browning since 1990 and with Dr. Lowrance since 2013 when he became an associate of Dr. Browning and his practice.

I would like to thank you for the opportunity to be a part of this endeavor and do appreciate your trust and confidence to provide your anesthesia services for this exciting venture with Eye Surgery Center of Knoxville-ASTC.

If I can be of any assistance to facilitate and expedite this endeavor, please contact me at 865-803-3289. I am looking forward to providing professional anesthesia care for your patients.

Sincerely,

 **CRNA/APN**

**Richard D. Deindorfer, CRNA/A.P.N.
12186 Paw Paw Plains Road
Lenoir City, TN 37771**

TN Nreg. License # - RN0000051726

TN Advanced Practice Nurse # - APN0000009103

AANA CRNA # - 37393

Curriculum Vitae

September 14, 2015

Name: Stephen R. Franklin
 7800 Conner Rd
 Powell, TN 37849
 PH: 865-546-7140

Date of Birth: April 23, 1956

Birthplace: Oak Ridge, Tennessee

Education: The University of Tennessee-Knoxville, B.A. degree, 1978
 The University of Tennessee-Memphis, M.D. degree, 1982
 Rotating Internship, Baptist Memorial Hospital, Memphis, 1982-83
 Residency in Ophthalmology, The University of Tennessee-Memphis, January 1985-87

Professional License: Tennessee-1982

Boards: Certified-American Board of Medical Examiners-1983
 Certified-American Board of Ophthalmology-1989

Society Memberships: Knoxville Academy of Medicine
 Tennessee Medical Association
 American Medical Association
 American Academy of Ophthalmology

Current Status: Private practice of general ophthalmology in association with K.L. Raulston, Jr., M.D. at Center For Sight, P.C.

Hospital Privileges Tennaova North Knoxville Medical
 Tennaova Jefferson Memorial-Courtesy

Curriculum Vitae
 Stephen R. Franklin
 Page Two

Seminars (CME):

Memphis Eye Convention, 1985 & 1986
 Aspen Anterior Segment Society, 1986
 American Academy of Ophthalmology, 1986
 American Academy of Ophthalmology, 1987
 Tennessee Academy of Ophthalmology, 1987
 American Academy of Ophthalmology, 1988
 Memphis Eye Convention, Spring 1989
 Tennessee Academy of Ophthalmology, 1990
 Memphis Eye Convention, 3/92
 West Virginia Academy of Ophthalmology,
 Precise Predictable Keratorefractive Surgery Course, 6/92
 University of Alabama Annual Scientific Meeting, 8/92
 University of Tennessee College of Medicine Alumni Weekend, 11/92
 Ophthalmology Residents Day, 3/93
 Memphis Eye Convention, 3/93
 Ophthalmic Trauma Update, 4/93
 System Update for Chiron Intraoptics, 2/94
 Advanced Keratorefractive Update, 2/94
 Ophthalmology Residents Day, 3/94
 Memphis Eye Convention, 3/94
 Current Concepts in Corneal and External Disease 2/95
 G.W. University Excimer Laser PRK Course, 2/96
 Global Vision Institute PRK Course, 2/96
 New Orleans Academy of Ophthalmology, 2/96
 New Orleans Academy of Ophthalmology-Peril to the Nerve Glaucoma 4/96
 New Orleans Academy of Ophthalmology-Advanced Phaco Wisdom 4/96
 John Hopkins/Wilmer Institute, 3/97
 VISXA Certification Course, 6/97
 General risk Management Seminar, 1997
 General risk Management Seminar, 1998
 General risk Management Seminar, 1999
 Advances in Ophthalmology, 10/99
 Hawaii Seminar, 2000
 Clinical Ophthalmology, 2001
 Video Symposium of Challenging Cataract and Their Management, 10/2001
 Pediatric Cataracts: Evaluation and Treatment, 10/2001

Curriculum Vitae
 Stephen R. Franklin
 Page Three

General Risk Management Seminar 7/02
 University of Texas Allergy Update 8/02
 University of Tennessee St. Mary's Tumor Board 12/03
 University of Tennessee CME Clinical Ophthalmology Conference 2/03
 General Risk Management Seminar 7/03
 University of Tennessee St. Mary's Tumor Board 1/04
 General Risk Management Seminar 7/04
 University of Tennessee St. Mary's Tumor Board 1/05
 The New York Eye and Ear Infirmary Ins Ophthalmology Grand Rounds 2/05
 Postgraduate Institute of Medicine Allergic Reaction 6/05
 Apodized Diffractive Lens Symposium Fort Worth 6/05
 General Risk Management Seminar 7/05
 The Dulaney Foundation Glaucoma Management in CL Wearers 9/05
 American Academy of Ophthalmology 10/05
 University of Pittsburgh School of Medicine Clinical Applications OCT 12/05
 The Dulaney Foundation Ocular Imaging For Glaucoma 11/05
 Retinopathy Reporter: An Expert Dialogue on Diabetic Retinopathy Summer 2006
 The Academy for Healthcare Education, Inc. Glaucoma 7/06
 The University of Florida Restasis 11/06
 General Risk Management 7/07
 Harvard Medical School Ophthalmology Rounds 8/07
 American Academy of Ophthalmology 11/07
 Aspen Corneal Society 2/08
 HealthStream Proper Prescribing Practices: Schedule II Prescription Drug Abuse 3/08
 2008 Joint Meeting in Atlanta, GA 11/08
 Office Risk Management for Physicians & Staff-7/09
 27th Annual Current Concepts in Ophthalmology 3/15/10-3/19/10
 2010 Managing Difficult Patients at UT Health Science Center 7/21/2010
 2010 Prescribing Practices: Understanding the Law and Reducing Risk 8/25/2010
 2010 Continuing Medical Education in Chicago, IL 10/15/2010-10/19/2010
 2011 Dealing with Difficult Colleagues 7/20/2011
 2012 American Academy of Ophthalmology AMA PRA category1credits1credits11/9-13
 2012 TMA Epidemic: Prescriber's Response to Tennessee's RX Drug Abuse Crisis 7/12/2012
 2013 SVMIC: Avoiding EHR Pitfalls-live #3088 Knoxville, TN 8/14/2013 2 AMA PRA credits
 2014 UT College of Med: Negotiating Difficult Healthcare Situations SVMIC Knoxville, TN 7/15/2014 2 credits
 2014 live activities AAO in Chicago, IL Oct 17-21, AMA PRA cat 1 credit
 2015 9 Habits of Safe and Effective Medical Practices 7/14/2015 2 hours CME/AMA

Curriculum Vitae
Stephen R. Franklin
Page Four

Publications:

"Adjustable sutures in Strabismus Surgery," *Annals of Ophthalmology*, August 1998.

"Evidence-Based Glaucoma: Practical Implications for Individualized Patient Care," *Ocular Surgery News*, June 2006

"Managing Posterior Blepharitis" NACCME, November 2006.

Presentations:

"Ophthalmic Laser Surgery," presented at St. Mary's Medical Center, March, 1988.

"Eye Trauma," presented to Emergency Nurses Association meeting at HCA Park West Medical Center, August, 1989.

"Eye Emergencies," presented to Trauma lecture Series at St. Mary's Medical Center, September, 1989.

"Use of Ophthalmoscope/Performing Accurate Visual Acuties," presented at East Tennessee Emergency Medical Symposium, Gatlinburg, Tennessee, March, 1990.

"Visual Field Test and Interpretation," presented at Tennessee Ophthalmology Personnel Society meeting, Gatlinburg, Tennessee, April 1990.

"Excimer Laser Correction of Nearsightedness," presented to Tennessee Dispensing Opticians Association, Knoxville, Tennessee, September, 1986.

CURRICULUM VITAE**JOHN T. DAWSON, M. D.****5410 Mill Ridge Drive****Knoxville, TN 37919**

Date of Birth:	July 14, 1954	
Citizenship:	USA	
Academic Degrees:	Emory University	B.A. Jun 1976 – Aug 1980
	Medical College of Georgia School of Medicine	M.D. Sept 1981 – Jun 1985
Internship:	Medical College of Georgia (Transitional)	Jul 1985 – Jun 1986
Residency:	University of California, San Francisco (Ophthalmology)	Jul 1986 – Jun 1989
Fellowship:	Wilmer Institute, Johns Hopkins University (Cornea/Anterior Segment Surgery)	Jul 1989 – Jun 1990
Practice Experience:	East Tennessee Eye Surgeons	1990 – present
Medical Licensure:	Tennessee	1990
Board Status:	Board Certified	1991
Honors:	Valedictorian, Medical College of Georgia School of Medicine	1985
	Alpha Omega Alpha	1984 – present
	President, Georgia Alpha	1984 – 1985
	Knoxville CityView Magazine's List of Top Doctors	2009 – 2016
Memberships:	American Academy of Ophthalmology American Society of Cataract & Refractive Surgery Cordes Eye Society Knoxville Academy of Medicine/Tennessee Academy of Medicine Tennessee Academy of Ophthalmology	
Personal:	Married; one child	

Curriculum Vitae

Kevin Thomas Gallaher, M. D.

109 W. Redbud Road

Knoxville, TN 37920

865.567.4174

kevingallaher55@hotmail.com

DATE AND PLACE OF BIRTH: Nashville, Tennessee January 29, 1975

LANGUAGE PROFICIENCY: English

EDUCATION:

University of Mississippi Medical Center Jul 2007 – Jun 2011
Jackson, Mississippi
Ophthalmology Resident

University of Tennessee College of Medicine Aug 2003 – Jun 2007
Memphis, Tennessee
Degree: M. D.

University of Tennessee Aug 1994 - May 2001
Knoxville, Tennessee
Degree: B. S. Microbiology Major

MEDICAL LICENSURE: Tennessee, 2011

BOARD CERTIFIED: November, 2014

HONORS AND AWARDS:

NIH MEDICAL STUDENT SUMMER RESEARCH GRANT May 2005
Alessandro Iannaccone, M. D., M. S., Research Preceptor

ASSOCIATION FOR RESEARCH IN VISION AND OPHTHALMOLOGY FOUNDATION/
RETINA RESEARCH FOUNDATION: JOSEPH M./EULA C. March, 2005
LAWRENCE TRAVEL GRANT. ARVO,

Knoxville CityView Magazine's Top Doctors 2013 & 2016

PROFESSIONAL MEMBERSHIPS

American Academy of Ophthalmology Jul 2008 – Present
American Medical Association Jul 2007 – Present
American Society of Cataract & Refractive Surgery Jul 2008 – Present

CURRICULUM VITAE

May 2016

PERSONAL:

Steven Lloyd Sterling, MD
2607 Kingston Pike, Ste 182
Knoxville, Tennessee 37919

BORN:

December 5, 1959
Knoxville, Tennessee

EDUCATION:

June 1977 – March 1979 – University of Tennessee
Knoxville, Tennessee

June 1979 – May 1982 – University of Tennessee
Chattanooga, Tennessee

August 1982 – June 1986 – University of Tennessee
College of Medicine
Memphis, Tennessee

July 1986 – June 1987 – Methodist Hospital
Memphis, Tennessee
Transitional Internship

July 1988 – June 1991 – University of Tennessee
Memphis, Tennessee
Residency

BOARD CERTIFICATION:

October 1992 – American Board of Ophthalmology
July 2003 – Recertification American Board of Ophthalmology
July 2015 – Recertification American Board of Ophthalmology

STAFF APPOINTMENTS:

January 2012 – Clinical Instructor in Ophthalmology
UT College of Medicine
Memphis, Tennessee

EMPLOYMENT EXPERIENCE:

July 1991 – November 1994 - Center for Eye Surgery
 200 New York Ave, Ste 140
 Oak Ridge, Tennessee

November 24, 1994 – December 1997 – Steven L. Sterling, MD PC
 2020 Kay St
 Knoxville, Tennessee

January 1, 1998 – April 30, 2004 – Baptist Eye Surgeons, PLLC
 2020 Kay Street
 Knoxville, Tennessee

May 2004 – Present – Steven L. Sterling, MD PC
 2607 Kingston Pike, Ste 182
 Knoxville, Tennessee 37919

MISSION EXPERIENCE:

Associated with and supporter of World Cataract Foundation doing cataract Surgery in Ometepac, Mexico from 1989 -2014

MEDICAL SOCIETIES:

American Academy Ophthalmology
 American Society of Cataract and Refractive Surgery
 Tennessee Academy of Ophthalmology
 Tennessee Medical Association
 Knoxville Academy of Medicine

PRESENTATIONS:

Sterling, S, Wood, T: "*Effect of Intraocular Lens Convexity on Posterior Capsular Opacification*" presented at the Tennessee Academy of Ophthalmology, 1987

Sterling, Steven L., "*Overcoming Flomax – Suggested Strategies and Techniques*"
 Presented at the American Society of Cataract and Refractive Surgery, 2006

PUBLICATIONS:

Sterling, S, Wood, T: "*Effect of Intraocular Lens on Posterior Capsular Opacification*" Journal Cataract and Refractive Surgery, November 1986, 12:655-657

HOBBIES:

Boating, biking and snow skiing

CURRICULUM VITAE

Name: **Thomas Anthony Browning, M.D.**
 10205 Thimble Fields Drive
 Knoxville, TN 37922
 (865) 777-0343

Business Address: **Eye Care Centers, PLLC dba**
Tennessee Eye Care
 6354 Lonas Spring Drive
 Knoxville, TN 37909

Education:
Academic College: August 1977- May 1981, University of Tennessee,
 Knoxville, TN
 B. S., Mechanical Engineering

Medical School August 1981- May 1985, University of Tennessee
 College of Medicine
 Memphis, TN – M. D.

Internship: July 1985-June 1986, Methodist Hospital,
 Memphis, TN

Residency: July 1986-May 1989,
 Residency in Ophthalmology
 University of Tennessee Hospital
 Memphis, TN

Fellowship: May 1989-Sept 1989,
 Medical Retina
 Vitreoretinal Foundation
 Memphis, TN

Work History: Sept 1989-January 1994, Joined
 Paul Wittke, M.D. Ophthalmic Associates
 Knoxville, TN

February 1994-Jan 1996, Board of Directors,
 Eye Corp, Inc.
 Memphis, TN

February 1994-May 2005, Partner,
 Vitreoretinal Foundation
 Memphis, TN

Curriculum Vitae-Thomas A. Browning, M.D.

February 1994-December 2005, Medical Director
for Anterior Segment Surgery Program & Clinical
Training for Medical Retina
Memphis, TN

August 1996-May 1998, Medical Director,
Optometric Residency Program
Memphis, TN

August 1998-Present, Partner,
Eye Care Centers, PLLC dba
Tennessee Eye Care
Knoxville, TN

July 2009-May 2012, Associate Professor of
Ophthalmology, Michigan State University
Knoxville, TN

Oct 2009-Feb 2016, Director of Surgery,
Bay Eyes Cataract & Laser Center, PC
Bay Eyes Surgery Center, Inc.
Fairhope, AL

Medical Licensure:

May 1986, Tennessee

Board Certification:

May 1986, National Board of Medical Examiners

May 1992, American Board of Ophthalmology

Memberships:

Tennessee Academy of Ophthalmology
American Academy of Ophthalmology

Matthew D. Lowrance, DOmlovrancedo@gmail.com**EDUCATION/WORK EXPERIENCE**

Private Practice; Retina Specialist, Anterior Segment Surgeon (Current) Tennessee Eye Care	7/2013-Current
Founder and CEO; Tidal Key Group, LLC	6/2013-Current
Medical Director; Retinal Care, LLC	1/2015-Current
Fellowship; Medical Retina Bascom Palmer Eye Institute- University of Miami, Miller School of Medicine	7/2012-7/2013
Residency; Ophthalmology Michigan State University/Hillsdale Community Health Center	7/2009- 6/2012
Osteopathic Medicine Internship Michigan State University/Hillsdale Community Health Center	7/2008- 6/2009
Virginia College of Osteopathic Medicine, Blacksburg, Virginia Doctor of Osteopathic Medicine	7/2004- 6/2008
East Tennessee State University, Johnson City, Tennessee Post Baccalaureate Pre-Medicine Program	6/2002- 6/2003
North Georgia College and State University, Dahlonega, Georgia Bachelor of Arts, Music	8/1998- 12/2001

LICENSURE

State of Tennessee	State of Alabama	State of Oklahoma (Pending)
State of Florida	State of Kentucky (Pending)	

FACULTY APPOINTMENTS

University of Miami, Miller School of Medicine Clinical Instructor; Department of Ophthalmology	7/2012- 7/2013
Michigan State University College of Osteopathic and Human Medicine Clinical Instructor; Department of Neurology and Ophthalmology	7/2009- 7/2012

GRANT SUPPORT

National Institutes of Health R01: A disposable polymer composite sensor film for preventing postoperative blindness \$1.9 million	2015- pending
Hillsdale Community Health Center The Current Concepts Program. \$8,750.00	2009-2010
Hillsdale Community Health Center The Current Concepts Program. \$5,000.00	2010-2011

Lowrance, M., Benjamin, E., Gossage, D. Congenital simple hamartoma of the retinal pigment epithelium and the use of optical coherence tomography in demystifying this rare entity. *Accepted to the Clinical & Surgical Journal of Ophthalmology. June 2011.*

Lowrance, M., Lowrance, C., Benjamin, E., Gossage, D. A quantitative measure of the effects of eyelid massage on the production of tears and a proposed osteopathic treatment technique for dry eyes. **1st Place.** *Poster presentation at the 95th Annual Clinical Assembly of the AOCOO-HNS, Tucson, Arizona. 2011.*

Benjamin, E., **Lowrance, M.,** Chu, R., Warner, N., Gossage, D. Conjunctival Optical Coherence Tomography as a New Technique in Giant Papillary Conjunctivitis Assessment and Correlated Treatment Study (CONTACTS). **2nd Place.** *Poster presentation at the 95th Annual Clinical Assembly of the AOCOO-HNS, Tucson, Arizona. 2011. Accepted to the Clinical & Surgical Journal of Ophthalmology August 2011*

Lowrance, M., Benjamin, E., Warner, N., Gossage, D. Preliminary Report; The Incidence of Culture Positive Needle Tips Following Intravitreal Injections. *Poster presentation at the 95th Annual Clinical Assembly of the AOCOO-HNS, Tucson, Arizona. 2011.*

Ireland, K., **Lowrance, M.** Heidelberg Spectralis HRA + OCT Demonstrates Residual Damage from Quiescent Toxocara Canis. *Poster presentation at the 95th Annual Clinical Assembly of the AOCOO-HNS, Tucson, Arizona. 2011.*

Lowrance, M., Benjamin, E., Chu, R., Gossage, D. Chemotherapy Induced Diffuse Lamellar Keratitis Nine Years Post LASIK. Research Paper. *Accepted to Clinical & Surgical Journal of Ophthalmology September 2011*

Lowrance, M., The Science of Smoke. Article. Published on www.smackers.com

Lowrance, M., Benjamin, E., Gossage, D. Chemotherapy Induced Diffuse Lamellar Keratitis Nine Years Post LASIK. *Poster presented at the 94th Annual Clinical Assembly of the AOCOO-HNS, Orlando, Florida. 2010.*

Lowrance, M., Norris, L., Chu, R., Gossage, D. Lucentis for Occlusive Vascular Edema Intravitreal Treatment. *Poster presented at the 93rd Annual Clinical Assembly of the AOCOO-HNS, Austin, Texas. 2009.*

Chu, R., **Lowrance, M.,** Gossage, D. Initial Prechop Or Divide-and-conquer Study. (IPOD Study) Research Paper.

Habryl, M., **Lowrance, M.,** Benjamin, E., Chu, R., Gossage, D., Case Series of Anti-VEGF Use and Persistent IOP Rise. Research Paper

RESEARCH

Clinical Application of Spectral Domain Optical Coherence Tomography
Sub-Investigator

A Natural History Observation and Registry Study of Macular Telangiectasia Type 2. The Mactel Study.
Sub-Investigator

A phase 2, multi-centre, randomized, double-masked, placebo-controlled, parallel-group study to investigate the safety, tolerability, efficacy, pharmacokinetics and pharmacodynamics of GSK933776 in adult patients with geographic atrophy (GA). Sub-Investigator.

A Phase I/II, Open-Label, Multi-Center, Prospective Study to Determine the Safety and Tolerability of Sub-retinal Transplantation of Human Embryonic Stem Cell Derived Retinal Pigmented Epithelial (MA09-hRPE) Cells in Patients with Advanced Dry AMD. Sub-Investigator.

Home Vision Monitoring in AREDS2 for Progression to Neovascular AMD using the ForeseeHome Device. Sub-Investigator.

The Diamond-Dusted Membrane Scraper ("Tano Brush") in Macular Surgery. Sub-Investigator

A Phase 2b/3 Multicenter, Randomized, Double-Masked, Dose-Ranging Study Comparing the Efficacy and Safety of Emixustat Hydrochloride (ACU-4429) with Placebo for the Treatment of Geographic Atrophy Associated with Dry Age-Related Macular Degeneration. Sub-Investigator.

Age-Related Eye Disease Study2 (AREDS 2): A Multi-center, Randomized Trial of Lutein, Zeaxanthin, and Long-Chain Omega-3 Fatty Acids (Docosahexaenoic Acid [DHA] and Eicosapentaenoic Acid [EPA]) in Age-Related Macular Degeneration. Sub-Investigator.

Outcomes of Exudative Ocular Diseases With and Without Anti-VEGF Therapy. Sub-Investigator.

PRESENTATIONS AND LECTURES

Macular Degeneration. An Update and Overview on "Healthline" hosted by Shelia Wittke. Community Television of Knoxville. September 11, 2013.

"Jetrea" A New Treatment for Vitreomacular Adhesion on "Healthline" hosted by Shelia Wittke. Community Television of Knoxville. August 14, 2013.

The Most Common Causes of Vision Loss. CME Presentation at the Virginia Osteopathic Association Annual Meeting. October 19 2013. Hotel Roanoke, Roanoke, VA.

Nevus or Not? Presentation and review of tumors of the retinal pigment epithelium given at the 95th Annual Clinical Assembly of the AOCOO-HNS, Tucson, Arizona. 2011.

"White spots in my eyes." Is it a pattern dystrophy? Case presentation given at the Great Lakes Retina Study Group. September, 2010. Detroit, Michigan

Proliferative Diabetic Retinopathy; More Than VEGF. Lecture and case presentation given at the American Osteopathic Colleges of Ophthalmology Otolaryngology-Head and Neck Surgery Mid Year Meeting. August, 2010. Detroit, Michigan.

Chemotherapy Induced Diffuse Lamellar Keratitis Nine Years Post LASIK. Presentation given at the 94th Annual Clinical Assembly of the American Osteopathic Colleges of Ophthalmology Otolaryngology-Head and Neck Surgery. May, 2010. Orlando, Florida.

The Perplexing Pregnancy; A rare presentation of BRAO. Case presentation given at the American Osteopathic Colleges of Ophthalmology Otolaryngology-Head and Neck Surgery Mid Year Meeting. September, 2009. Detroit, Michigan.

CME Presentation: Mass Psychogenic Illness. A synopsis presented to Southwestern Virginia Mental Health Institute physician staff. 1 hour credit CME provided through the University of Virginia Department of Medical Education. February, 2007. Marion, Virginia.

Ocular Manifestations of Cardiovascular Disease. Overview presented to the Carilion New River Valley Medical Center. January, 2007. Christiansburg, Virginia.

PROFESSIONAL ORGANIZATIONS

American Academy of Ophthalmology (AAO)

Young Ophthalmologists Committee of the AAO (YO)
American Osteopathic Colleges of Ophthalmology, Otolaryngology – Head and Neck Surgery
Council of Residents and Fellows of the AOCOO-HNS (CRF)
Michigan Society of Eye Physicians and Surgeons (MISEPS)
American Osteopathic Association (AOA)
Michigan Osteopathic Association (MOA)
Virginia Osteopathic Medical Association (VOMA)
Memphis Barbecue Network (MBN)

PATENTS AND INNOVATIONS

Designed and developed a safer, more efficient ophthalmic surgical drape; Patent Pending.
Designed a device to monitor and prevent ocular injury in the operating room; Patent Pending.

PERSONAL INFORMATION

I am a classically trained musician, husband and father of three, southern BBQ connoisseur, college football and basketball fanatic and enjoy songwriting, composition and designing medical products.

Birth date: May 9, 1977
Birthplace: Huntsville, Alabama
Citizenship: United States of America

Curriculum Vitae

August 2013

Name: Kenneth Lawrence Raulston, Jr., M.D.
7800 Conner Rd.
Powell, TN 37849
PH: 865-546-7140

Date of Birth: June 28, 1938

Education: University of Tennessee-Knoxville, B.S., 1960
University of Tennessee College of Medicine
Memphis, Tennessee, December 1962
Rotating Internship, University of Tennessee Memorial
Hospital and Research Center, 1963-64
U.S. Naval School of Aviation Medicine Jan-June 1964
Active Duty US Navy Lt. Comdr.
(M.C. Jan 1964-July 1967)
Tulane University 1967
Residency at Ochsner Clinic and Foundation
New Orleans, LA July 1967-70

Board Certification: American Board of Ophthalmology, 1975

Society Memberships: Knoxville Academy of Medicine
Tennessee Medical Association
American Medical Association
American Academy of Ophthalmology

Current Status: Private practice of general ophthalmology in association
with Stephen R. Franklin, M.D. at Center For Sight, P.C.

Hospital Privileges: Tennova Medical Center North-active

Curriculum Vitae

Kenneth Lawrence Raulston Jr., M.D.

Page Two

Seminars (CME):

Georgia Society of Ophthalmology- April 30 to May 3, 1981-10 hours credit
 Knoxville Academy of Medicine-81/82-AMA cat-15 hours credit
 AZAR Foundation-November 1, 1981-Kerato-Refractive Society Meeting-10 hours
 Georgia Society of Ophthalmology- May 2-5, 1982-9 credit hours
 Medical University of South Carolina-Division of Continuing Education Conference
 Sports Medicine 1982-Oct. 11-13-12.0 credit
 Emory University School of Medicine-Current Advances in Ophthalmology Atlanta,
 Georgia-Dec. 10-11, 1982-10.5 credit.
 KAM Education Ski Meeting-1983 Feb. 5-12-Woodbridge Conference Center
 Snowmass, Colorado-sponsored by Knoxville Academy of Medicine-CME credits 15.0
 Tennessee Medical Association-1983-Nashville, Tennessee-April 13-16
 Kansas City Photocoagulation Workshop-5/28-29/1982-University of Missouri
 Comprehensive course Argon/Krypton lasers.
 Loss Prevention Seminar-Opryland Hotel-April 17, 1983-6 hours
 Georgia Society of Ophthalmology-May 5-8, 1983-Atlanta, Georgia-9 hours
 Hallum-Arnold Eye Foundation, Inc.-Metropolitan Hotel-June 11, 1983-Atlanta, GA-10
 hours YAG laser in ophthalmology
 Decatur Hospital by William Vollitine Prof.-August 5, 1983 Medical University of South
 Carolina-Charleston, South Carolina (YAG laser)
 Georgia Society of Ophthalmology-May 3-6, 1984-Atlanta, Georgia-9 hours
 SVMIC TMA Loss Prevention Seminar-Tennessee Medical Association-5 hours credit
 1984
 Accents Cosmetic Pigment Implantation-Dearborn, Michigan-Dec. 15, 1984
 American Academy of Ophthalmology-Atlanta, GA-Oct-Nov. 1984-35 hours
 Georgia Society of Ophthalmology-May 1985-9 hours
 American Academy of Ophthalmology-Sept 29-Oct 4, 1985-35 hours
 Tennessee Academy of Ophthalmology-April 10-11, 1986-7 credit hours
 Georgia Society of Ophthalmology-May 5-7, 1986
 Alabama Academy of Ophthalmology-Medical Legal Issues-Macula Lesion-San Destin
 Hilton, Destin, FL-August 20-22, 1986
 American Academy of Ophthalmology-1988-Oct. 8-12, 1988-46 credit hours
 American Academy of Ophthalmology-1989 35 credit hours (New Orleans)
 American Academy of Ophthalmology-1990 35 credit hours (Atlanta)

Curriculum Vitae
Kenneth Lawrence Raulston Jr., M.D.
Page Three

Visionary Program '90: Excimer Lasers in Ophthalmology-30 credit hours estimated
 Boston, Mass; Berlin, Germany; London, England; Calgary, Alberta, Canada; Kansas
 City, Mo; New Orleans, La
 Michigan Ophthalmological Society-8/10/89-8/13/89-Harper Woods, Michigan
 Ophthalmic Lasers: The state of the art and new techniques-8 credit hours
 Vanderbilt University Medical Center- 4/11/92 Nashville, TN 6.50 credit hours Retinal
 and Vitreal Disorders
 Tennessee Medical Association Loss prevention seminar- 7/16/92 Knoxville, TN 2 credit
 hours
 Clear Cornea and Topical Anesthesia -8/21/93 Atlanta, Ga (Chiron)
 TN Academy of Ophthalmology- 4/10/92 Nashville, TN (TMA) 6 credit hours
 TN Academy of Ophthalmology-4/93 Knoxville, TN (TMA) 6 credit hours
 Systemized Approach to Keratorefractive Surgery-7/17-18/93
 American Academy of Ophthalmology-10/95 Atlanta, Ga 35 credit hours
 TMA Loss Prevention Seminar-10/24/95 Knoxville, TN 2 credit hours
 Hawaii '96 Tufts University School of Medicine Ophthalmology Meeting-1/21-26/96
 25.2 CME credits
 Coherent Ultrapulse CO2 Laser Seminar-2/18/96 St. Mary's Medical Center Knoxville,
 TN
 Photorefractive Keratectomy Seminar New England Eye Center Tufts University School
 of Medicine Boston, Mass 2/16/96 8 credit hours
 Refractive Surgery Atlanta, Ga-10/28/95 6.0 CME credit
 American Academy of Ophthalmology-10/31/96 Chicago, IL 32 CME credits
 1997 General Risk Management Seminar-10/28/97 Gatlinburg, TN 2 CME credits
 Didactic and Practical Course in Endoscopic Cyclophotocoagulation using the E2
 Compact MicroProbe Laser Endoscopy System-7/1/01
 University of Tennessee-Grand Rounds Clinical Ophthalmology-1/1/02-12/31/02-7 CME
 credits
 Med Risk-"Risk Management Essentials for Physicians, Part I," Independent Study
 Course, 12/20/02-5 CME credits
 University of Tennessee-2002 Tumor Conference-Knoxville, TN 1 CME credit
 Audio Digest-"Anterior Segment Surgery" 5/16/02-2 CME credits
 Audio Digest-"Glaucoma" 5/8/02-2 CME credits
 CME Clinical Ophthalmology Conference 2003-Knoxville, TN-9 CME credits
 General Risk Management Seminar-7/9/03-Knoxville, TN-2 CME credits
 University of Tennessee-St. Mary's Tumor Board-Knoxville, TN-12/8/03-1 CME credits
 University of Tennessee-St. Mary's Tumor Board-Knoxville, TN-1/1/04-2 CME credits
 General Risk Management Seminar-7/20/04 Knoxville, TN 2 CME credits
 University of Tennessee St. Mary's Tumor Boards 1/1/05 2 AMA credits
 Eye on the Bayou: New Concepts in Glaucoma, Cataracts, and Neuro-ophthalmology-
 New Orleans-Feb.18-20, 2005 17.25 AMA credits

Curriculum Vitae
Kenneth Lawrence Raulston Jr., M.D.
Page Four

General Risk Management Seminar Knoxville, TN 7/20/05 2 CME credits
 Continuing Professional Education-Chicago, IL-10/14/2005 1 credit AMA
 Apodized Diffractive Lens Symposium-Chicago, IL-10/14/2005
 American Academy of Ophthalmology-Chicago, IL-10/14-18/05 29 CME credits
 Neuro-Ophthalmology 10/14-18 2005-Chicago, IL 6 CME credits
 General Risk Management Seminar Knoxville, TN 8/1/06 2 AMA credits
 American Academy of Ophthalmology-November 10-14 2006 Las Vegas, NV 8 CME credits
 Communication Issues in Malpractice Litigation-8/29/07 2 AMA credits
 General Risk Management Seminar Knoxville, TN 7/30/2008 2 AMA Credits
 Reducing malpractice risk Knoxville TN 08/11/2009 2 AMA PRA credits
 Managing Difficult patients Knoxville TN 07/21/2010 2 AMA PRA credits
 Prescribing Practices: understanding the law and reducing risk Knoxville TN 08/25/2010 2 AMA PRA credits
 2011 Dealing with Difficult Colleagues Knoxville Tn 07/20/2011 2 AMA PRA Credits
 Case Debates in the Management of AMD and DME Chicago Il 11/11/2012 1.5 AMA PRA Credits
 Expert Consultations in Disease of the Aging Eye Chicago, IL 11/10/2012 1.5 AM PRA credits
 Preparing the Physician for Deposition & Trial seminar 1645 Knoxville, TN 7/17/2013 2 AMA PRA category I credits

Curriculum Vitae
Kenneth Lawrence Raulston Jr., M.D.
Page Five

- Course in Phaco Emulsification:** St. Johns Hospital & Lion Eye Bank
 Santa Monica, California-1975
 3 full days-24 hours
- Course in Lens Implantations:** Santa Monica Hospital Medical Center
 Charlie Ruggles Ophthalmology Dept.
 Santa Monica, California-1978
 (3 full days-24 hours-all types of lenses covered anterior chamber, iris fixated,
 iridocapsular and posterior chamber)
- Azar Foundation IOL Course-May 1979**
 New Orleans, Louisiana-all types lenses covered, in addition elective course in posterior
 chamber lenses-3 hours
- Metropolitan Eye and Ear Hospital Course**
 Planned extracapsular cataract extraction and posterior chamber intraocular lens
 implantation, only shearing-March 1979-Atlanta, Georgia-16 hours, posterior chamber
 lens covered
- Course in IOL and Radial Keratotomy Seminar: January 16-21, 1981-University of Utah,**
College of Medicine-Salt Lake City, Utah-19 credit hours
- Small Incision Implant Course-Atlanta, Georgia-Waverly Hotel-Oct. 24-25, 1986-Eye**
Foundation of American
- Certificate of credit, The New York Eye and Ear Infirmary Chicago IL, 11/11/2012**

STEPHEN H. RUDOLPH, CPA
CHIEF MANAGER & CONSULTANT
EYECARE RESOURCES, LLC

- OVER THIRTY YEARS EXPERIENCE IN MANAGING OPHTHALMIC & OPTOMETRIC MEDICAL PRACTICES INCLUDING FINANCIAL OPERATIONS, CLINICAL OPERATIONS, REAL ESTATE, MEDICAL FACILITIES, ACQUISITION/DEVELOPMENT, NETWORKING & STRATEGIC PLANNING
- SERVED AS CEO & ADMINISTRATOR OF VITREORETINAL FOUNDATION-MEMPHIS, TN (CATASTROPHIC EYE CARE PRACTICE WITH THIRTY-SIX OUTREACH LOCATIONS) & DEVELOPED ONE OF THE FIRST FREE-STANDING ASC FACILITIES TO PERFORM VITREORETINAL SURGERY (1985-1994)
- SERVED AS CEO OF REGIONAL PRACTICE MANAGEMENT COMPANY-EYECORP, INC, A PROVIDER-OWNED NETWORK OF PRACTICES WHICH ESTABLISHED A VERTICALLY INTEGRATED EYE CARE DELIVERY SYSTEM IN THE SOUTHEAST (1994-1996). EYECORP MERGED WITH PRG IN 1996 & OPERATED THROUGH 2000.
- ASC TURN-KEY DEVELOPMENT EXPERIENCE HAS BEEN FOCUSED ON SINGLE SPECIALTY OPHTHALMIC FACILITIES IN TN, MS, AL, IN, GA (1988-PRESENT)

Supplemental #1 -COPY-

Eye Surgery Center of
Knoxville

CN1611-038



State of Tennessee
Health Services and Development Agency
Andrew Jackson Building, 9th Floor
www.tn.gov/hsda Phone: 615-741-2364/Fax: 615-741-9884

November 9, 2016

Stephen H. Rudolph, CPA
Eyecare Resources, LLC
P.O. Box 381342
Germantown, TN 38183-1342

RE: Certificate of Need Application CN1611-038
Eye Surgery Center of Knoxville

Dear Mr. Rudolph:

This will acknowledge our October 1, 2016 receipt of your application for a Certificate of Need for the establishment of a single specialty ophthalmic ambulatory surgical treatment center at an unaddressed site on the south side of Dannaher Drive, Powell (Knox County), TN 37849. The proposed ambulatory surgical treatment center will have two operating rooms and one laser procedure room.

Several items were found which need clarification or additional discussion. Please review the list of questions below and address them as indicated. The questions have been keyed to the application form for your convenience. I should emphasize that an application cannot be deemed complete and the review cycle begun until all questions have been answered and furnished to this office.

Please submit responses in triplicate by 4PM, November 11, 2016. If the supplemental information requested in this letter is not submitted by or before this time, then consideration of this application may be delayed into a later review cycle.

1. Section A, Applicant Profile, Item 1

The street address of Danaher Drive is noted. However, please revise the street address to reflect "unaddressed site on Dannaher Drive" and submit a replacement page:

RESPONSE: *Please find replacement page 1R with street address noted above.*

2. Section A, Applicant Profile, Item 6.A.

The signed option to purchase agreement signed by the seller on September 2, 2016 is noted. However, on page 10 of the agreement, the seller did not check the provided boxes that indicate if the agreement was accepted, countered, or rejected. Please clarify.

RESPONSE: *Please find copy of page 10 of the signed option to purchase agreement noting seller's acceptance as indicated by the marked box "accepted" by David Fiser-Seller.*

3. Section C, Need Item 1(Specific Criteria -ASTC) Question #8 Access to ASTCs
Please provide a response to this criterion. Responding to the criterion by referring to other parts of the application is not acceptable.

RESPONSE: *Please find response to this criterion on replacement page 24R.*

4. Section C, Need Item 4.a

The demographic table on page 30 is noted. However, the TennCare enrollee as a % of total applies to each county and service area. For example, the TennCare enrollee as a % of total for Anderson County is 22.2% (17,289 enrollees/77,667 total population). Please revise and submit a replacement page 30.

RESPONSE: *Please find revised demographic table on replacement page 30R.*

5. Section C, Need Item 5

The table on page 32 is noted. Please specify the OR and PR standard used for the last two columns of the table for the year 2015.

RESPONSE: *Please find revised table noting OR standard-884 Cases and PR standard-1867 Cases for the year 2015. The percentages of utilization standard have been revised on the table to reflect this information on replacement page 32R and in the response on replacement page 31R as well as the response on page 19R in Section B-3.Need: Economic Efficiencies-Access.*

Which hospitals in the service area provide ophthalmic surgery?

RESPONSE: *Tennova Healthcare-Physicians Regional Medical Center(PRMC) Hospital -Knoxville, TN (Knox County), Tennova Healthcare-LaFollette Medical Center-LaFollette, TN (Campbell County), Tennova Healthcare-Jefferson Memorial Hospital, Jefferson City, TN (Jefferson County), LeConte Medical Center Hospital, Sevierville, TN*

(Sevier County) provide ophthalmic surgery within the service area (no laser procedures). Tennova Healthcare-North Knoxville Medical Center Hospital, Powell, TN (Knox County) provides laser procedures only.

-What are the reasons for the reduction of 13 ophthalmic ORs in the service area?

RESPONSE: *Advanced Family Surgery Center-Multi-specialty ASTC (Anderson County) was performing ophthalmic cases per JAR reports in 2012 and ceased performing ophthalmic cases in 2013 (4 ORs). Maryville Surgery Center-Multi-specialty ASTC (Blount County) was performing ophthalmic cases per JAR reports in 2013 and the Facility was closed in 2014 (4 ORs). St Mary's Ambulatory Surgery Center-Multi-specialty ASTC (Knox County) was performing ophthalmic cases in 2013 per JAR reports and was closed on 1/31/2013 (6 ORs) and Tennova Healthcare now operates this facility as a hospital department of their Knoxville Medical Center location. In 2014, Southeast Eye Surgery Center- Single Specialty Ophthalmic ASTC began performing ophthalmic cases in their 1 OR facility. Overall, this has resulted in a net reduction of 13 ophthalmic ORs in ASTCs within the service area.*

Please complete the following table. **RESPONSE:** *Please find completed table below.*

ASTC	County	Oper. Rms/ Proc. Rms	2013 Cases PR+OR	2014 Cases PR+OR	2015 Cases PR+OR	13'-15' % Change
Single Specialty						
Eye Surgery Center of East Tennessee	Knox	2/1=3				
Ophthalmology			3,710	4,572	3,792	2.21%
Total Outpatient Surgeries			3,710	4,572	3,792	2.21%
% Ophthalmologic Procedures			100.00%	100.00%	100.00%	
Knoxville Eye Surgery Center	Knox	4/1=5				
Ophthalmology			10,187	9,628	14,203	39.42%
Total Outpatient Surgeries			10,187	9,628	14,203	39.42%
% Ophthalmologic Procedures			100.00%	100.00%	100.00%	
Southeast Eye Surgery Center, LLC	Knox	1/1=2				
Ophthalmology			N/A	687	2,034	N/A
Total Outpatient Surgeries			N/A	687	2,034	N/A
% Ophthalmologic Procedures			N/A	100.00%	100.00%	
Single Specialty Subtotal		7/3= 10	13,897	14,887	20,029	44.12%
Multi-Specialty						
The Eye Surgery Center of Oak Ridge	Anderson	2/1=3				
Ophthalmology			3,090	3,112	3,328	7.70%
Total Outpatient Surgeries			3,251	3,302	3,518	8.21%
% Ophthalmologic Procedures			95.05%	94.25%	94.60%	
Physicians Surgery Center of Knoxville	Knox	5/0=5				
Ophthalmology			581	912	497	-14.46%
Total Outpatient Surgeries			4,670	5,102	4,472	-4.24%
% Ophthalmologic Procedures			12.44%	17.88%	11.11%	
Multi-Specialty Subtotal		7/1 = 8	7,921	8,404	7,990	0.87%
Total Service Area		14/ 4 = 18	21,818	23,291	28,019	28.42%

Please complete the following table for ASTC's in the proposed 8 county service area that currently provides Ophthalmologic procedures. **RESPONSE:** *Please find completed table below.*

ASTC	County	Operating Rooms 2015			Procedure Rooms 2015		
		# ORs	Cases	% of 884 Standard	# PRs	Cases	% of 1,867 Standard
Single Specialty							
Eye Surgery Center of East Tennessee	Knox	2	2,930	165.72%	1	862	46.17%
Knoxville Eye Surgery Center	Knox	4	13,307	376.33%	1	896	47.99%
Southeast Eye Surgery Center, LLC	Knox	1	1,843	208.48%	1	191	10.23%
Subtotal (Single-Specialty)		7	18,080	292.18%	3	1,949	34.80%
Multi-Specialty							
The Eye Surgery Center of Oak Ridge	Anderson	2	2,495	141.12%	1	1,023	54.79%
Physicians Surgery Center of Knoxville	Knox	5	4,472	101.18%	N/A		
Subtotal (Multi-Specialty)		7	6,967	112.59%	1	1,023	54.79%
Grand Total Surgeries		14	25,047	202.38%	4	2,972	39.80%
Cases per OR/PR		1,789				743	

Please complete the following table that indicates the overall ASTC utilization trend for the 8 county proposed service area. **RESPONSE:** *Please find completed table below.*

**8 County Service Area Patient Utilization
2013-2015**

County	ASTC	2013			2014			2015			% change 13'-15'
		Oper. Rms/	Proc. Rms	Total Cases	Oper. Rms/	Proc. Rms	Total Cases	Oper. Rms/	Proc. Rms	Total Cases	
Anderson	Single-Specialty	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Anderson	Multi-specialty	2	1	3,251	2	1	3,302	2	1	3,518	8.21%
	Total	2	1	3,251	2	1	3,302	2	1	3,518	8.21%
Blount	Single-Specialty	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Blount	Multi-specialty	4	0	3,342	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Total	4	0	3,342	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Knox	Single-Specialty	6	2	13,897	7	3	14,887	7	3	20,029	44.12%
Knox	Multi-specialty	11	0	4,670	5	0	5,102	5	0	4,472	-4.24%
	Total	17	2	18,567	12	3	19,989	12	3	24,501	31.96%
Service Area	Single-Specialty	6	2	13,897	7	3	14,887	7	3	20,029	44.12%
	Multi-specialty	17	1	11,263	7	1	8,404	7	1	7,990	-29.06%
	Grand Total	23	3	25,160	14	4	23,291	1	4	28,019	11.36%

6. Section C, Economic Feasibility, Item 3

What does the Historical Data Chart represent?

RESPONSE: *This represents the combined utilization data (patient encounters) and combined revenue and expense of the four ophthalmic medical practices ("ESCK group") associated with the project for the years 2013, 2014, & 2015. This information has also been referenced on replacement page 38R.*

7. Section C, Economic Feasibility, Item 8

The staffing analysis and plan table on page 49 is noted. However, please specify the numerical full time equivalent for each position.

RESPONSE: *Please find revised staffing analysis and plan table with numerical full time equivalent for each position on replacement page 49R.*

8. Section C. Contribution to Orderly Development Item 5A.

There appears to be an unreported board order and civil penalty for Thomas Browning, MD. Please provide documentation and specifics.

RESPONSE: *Please find Practitioner Profile Data, Licensure Verification & Agreed Citation from State of Tennessee Department of Health-Bureau of Health Licensure and Regulation for Thomas Browning, MD related to insufficient continuing education credits maintained in 2008. The terms of the Agreed Citation regarding insufficient continuing education credits and additional required continuing education credits were subsequently met along with payment of the assessed civil penalty of \$480. This information has been noted on the replacement page 53R in Section C. Contribution to the Orderly Development Item 5A.*

In accordance with Tennessee Code Annotated, §68-11-1607(c) (5), "...If an application is not deemed complete within sixty (60) days after written notification is given to the applicant by the agency staff that the application is deemed incomplete, the application shall be deemed void." **For this application the sixtieth (60th) day after written notification is January 3, 2017. If this application is not deemed complete by this date, the application will be deemed void.** Agency Rule 0720-10-.03(4) (d) (2) indicates that "Failure of the applicant to meet this deadline will result in the application being considered withdrawn and returned to the contact person. Re-submittal of the application must be accomplished in accordance with Rule 0720-10-.03 and requires an additional filing fee." Please note that supplemental information must be submitted timely for the application to be deemed complete prior to the beginning date of the review cycle which the applicant intends to enter, even if that time is less than the sixty (60) days allowed by the statute. The supplemental information must be submitted with the enclosed affidavit, which shall be executed and notarized; please attach the notarized affidavit to the supplemental information.

November 10, 2016

3:07 pm

If all supplemental information is not received and the application officially deemed complete prior to the beginning of the next review cycle, then consideration of the application could be delayed into a later review cycle. The review cycle for each application shall begin on the first day of the month after the application has been deemed complete by the staff of the Health Services and Development Agency.

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. § 68-11-1607(d):

- (1) No communications are permitted with the members of the agency once the Letter of Intent initiating the application process is filed with the agency. Communications between agency members and agency staff shall not be prohibited. Any communication received by an agency member from a person unrelated to the applicant or party opposing the application shall be reported to the Executive Director and a written summary of such communication shall be made part of the certificate of need file.
- (2) All communications between the contact person or legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Should you have any questions or require additional information, please do not hesitate to contact this office.

Sincerely,

Phillip Earhart
HSD Examiner

Practitioner Profile Data

This information is provided by the licensee as required by law

Print Date: 11/9/2016

While searching for information on a particular health care professional, consumers should be aware that there are several locations available to aid them with their research. ([Licensure Verification](#), [Abuse Registry](#), [Monthly Disciplinary Actions](#), and [Recently Suspended Licenses For Failure to Pay Child Support](#)) Links to various Internet sites are available from the Department of Health Website [home page](#) and from the [Health Related Boards Website](#).

BROWNING, THOMAS A**PRACTICE ADDRESS:**

THOMAS A BROWNING MD
1798 ROANE STATE HWY
Hartman, TN 37748

LANGUAGES: (Other than English)

None Reported

SUPERVISING PHYSICIAN:

None Reported

GRADUATE/POSTGRADUATE MEDICAL/PROFESSIONAL EDUCATION AND TRAINING

PROGRAM/ INSTITUTION	CITY STATE/ COUNTRY	DATE OF GRADUATION	TYPE OF DEGREE
UNIV OF TN MEMPHIS	MEMPHIS, TN	01/01/1985	MD

OTHER EDUCATION AND TRAINING

PROGRAM/ INSTITUTION	CITY STATE/ COUNTRY	FROM	TO
METH HOSP	MEMPHIS TN	01/01/1985	01/01/1986
VITREORETINAL FOUNDATION	MEMPHIS TN	01/01/1989	01/01/1989

147

November 10, 2016

UNIV OF TN HOSP

MEMPHIS TN

01/01/1986

3:07 pm

01/01/1989

SPECIALTY BOARD CERTIFICATIONS

**CERTIFYING BODY/
BOARD/
INSTITUTION**

**CERTIFICATION/
SPECIALTY/
SUBSPECIALTY**

AMER BD OF OPHTHAL

?

FACULTY APPOINTMENTS**TITLE****INSTITUTION****CITY/STATE**

None Reported

None Reported

None Reported

STAFF PRIVILEGES**This practitioner currently holds staff privileges at the following hospitals****HOSPITAL****CITY/STATE**

ROANE MEDICAL CENTER

HARRIMAN TN

This practitioner currently participates in the following TennCare plans

BLUE CARE

PHP

FINAL DISCIPLINARY ACTION**ACTIONS BY STATE REGULATORY BOARD****AGENCY****VIOLATION****ACTION**TN BOARD OF MEDICAL
EXAMINERSFAILED TO MAINTAIN SUFFICIENT CONTINUING
ED CREDITSCIVIL PENALTIES, PROVIDE PROOF
OF CEUS

HOSPITAL

ACTION

None Reported

None Reported

ACTIONS BY HOSPITAL

HOSPITAL

VIOLATION

ACTION

None Reported

None Reported

None Reported

CRIMINAL OFFENSES

OFFENSE

JURISDICTION

None Reported

None Reported

LIABILITY CLAIMS

Some studies have shown that there is no significant correlation between malpractice history and a doctor's competence. At the same time, the Legislature believes that consumers should have access to malpractice information. In these profiles, the Department has given you information about both the malpractice history of the physician's specialty and the physician's history of payments. The Legislature has placed payment amounts into three statistical categories: below average, average, and above average. To make the best health care decisions, you should view this information in perspective. You could miss an opportunity for high quality care by selecting a doctor based solely on malpractice history.

When considering malpractice data, please keep in mind:

- Malpractice histories tend to vary by specialty. Some specialties are more likely than others to be the subject of litigation. This report compares doctors only to the members of their specialty, not to all doctors, in order to make individual doctor's history more meaningful.
- The incident causing the malpractice claim may have happened years before a payment is finally made. Sometimes, it takes a long time for a malpractice lawsuit to move through the legal system.
- Some doctors work primarily with high risk patients. These doctors may have malpractice histories that are higher than average because they specialize in cases or patients who are at very high risk for problems.
- Settlement of a claim may occur for a variety of reasons which do not necessarily reflect negatively on the professional competence or conduct of the provider. A payment in settlement of a medical malpractice action or claim should not be construed as creating a presumption that medical malpractice has occurred.

You may wish to discuss information provided in this report, and malpractice generally, with your doctor. The Department can refer you to other articles on this subject.

November 10, 2016**3:07 pm**Settlements valued below \$75,000
are not included here.**DATE****Settlement amount was:**

None Reported

None Reported

OPTIONAL INFORMATION**COMMUNITY SERVICE / AWARD / HONOR****DESCRIPTION****ORGANIZATION**

None Reported

None Reported

PUBLICATIONS**TITLE****PUBLICATION****DATE**

None Reported

None Reported

None Reported

Follow Us On

Facebook



Twitter



YouTube

November 10, 2016**3:07 pm**

An official copy of this document is available, with applicable fees, from the Office of Investigations. For more information, please contact the Tennessee Department of Health, Office of Investigations, 665 Mainstream Drive, 2nd Floor, Nashville, Tennessee 37243, or 615-532-3426.

The following disciplinary information exists for the professional selected:

Name:**Browning, Thomas****Profession:****Medical Doctor****Lic #:****17111****ACTION****REASON****EFFECTIVE
DATE**

Assessed \$480 in civil penalties; must provide proof of 12 hours of continuing education within 180 days; and must complete an additional 10 hours of continuing education hours within 2 years.

Failed to properly maintain sufficient continuing education credits

1/27/2009[View Board Order](#)**Follow Us On****Facebook****Twitter****YouTube**



November 10, 2016

3:07 pm

STATE OF TENNESSEE
DEPARTMENT OF HEALTH
Bureau of Health Licensure and Regulation
Division of Health Related Boards
227 French Landing, Suite 300
Heritage Place
Nashville, TN 37243

PHIL BREDESEN
GOVERNOR

SUSAN R. COOPER, MSN, RN.
COMMISSIONER

Board of Medical Examiners

November 26, 2008

AGREED CITATION
THOMAS A. BROWNING, M.D.
LICENSE #17111

WHEREAS, Respondent is licensed as a medical doctor in the State of Tennessee by the Tennessee Board of Medical Examiners, license number **17111**; and

WHEREAS, Respondent has failed to properly maintain sufficient continuing education credits in violation of Tenn. Code Ann. **§§ 63-6-233 and 63-6-214(b)(3)**; and

WHEREAS, Respondent admits that this violation occurred and does not wish for this matter to be further prosecuted by the State of Tennessee; and

WHEREAS, Respondent acknowledges that Respondent is aware that he or she has a right to a hearing before the Tennessee Board of Medical Examiners. At such hearing, Respondent acknowledges that he or she is aware that he or she may be represented by counsel if he or she so chooses. Moreover, Respondent acknowledges and is fully aware that no civil penalty may be assessed against him or her and no formal action may be taken against his or her license without being provided the opportunity for a hearing before the Tennessee Board of Medical Examiners. Respondent acknowledges and understands that by signing this Agreed Citation and paying a civil penalty of **four hundred eighty dollars (\$480)**, representing a penalty of forty dollars (\$40.00) per delinquent credit hour, and providing proof of completion of the required number of continuing education credits, the Respondent waives his or her right to a hearing as described herein and provided for in the Administrative Procedures Act found at Tenn. Code Ann. § 4-5-301 et seq.; and

WHEREAS, Respondent admits to the failure to obtain **twelve (12) hours** of required continuing education credits; and

WHEREAS, Respondent acknowledges and understands that if the Respondent does not

November 10, 2016**3:07 pm**

sign this citation and return it along with a check or money order made out to the State of Tennessee for the prescribed amount within thirty (30) days, then a formal contested case proceedings could be initiated in which the Tennessee Board of Medical Examiners is authorized to assess civil penalties of up to one thousand dollars (\$1,000.00) for each violation of applicable law and the Board could refuse to renew the Respondent's license or the Respondent's license could be suspended or revoked.

THEREFORE, Respondent, by signing below agrees to the terms of this citation and remits a civil penalty in the amount **four hundred eighty dollars (\$480)**. The Respondent further agrees to provide proof to the Board of completion of **twelve (12) hours** of continuing education, the amount determined to be deficient within **one hundred and eighty (180) days** of ratification of this citation by the Board. Additionally, Respondent agrees to complete an additional **ten (10) hours** continuing education hours within **two (2) years** of ratification of this Agreed Citation. Furthermore, Respondent executes this citation for the sole purpose of avoiding further administrative proceedings with respect to this violation. Respondent hereby expressly waives all further procedural steps and expressly waives all rights to seek judicial review of or to challenge or contest the validity of this citation. Respondent acknowledges that this citation is subject to Board approval and agrees that consideration of this citation shall not prejudice the Board in any future proceeding should the Board not approve this citation. Respondent further acknowledges and understands that this citation will be reported on the Department of Health's Disciplinary Action Report and appear on the Department of Health's Website.

AGREED BY:

Thomas A. Browning, M.D.
Respondent (License #17111)

Date

Mitchell L. Mutter, M.D., President
Tennessee Board of Medical Examiners

Date

Matthew J. Scanlan, Esq., Deputy General Counsel
Tennessee Department of Health

Date

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF DAVIDSON

NAME OF FACILITY: Eye Surgery Center of Knoxville

I, **Stephen H Rudolph**, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

Stephen H Rudolph - CNA
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 10th day of NOVEMBER, 2016,
witness my hand at office in the County of DAVIDSON, State of Tennessee.

Matthew C Sexton
NOTARY PUBLIC

My commission expires September 7th, 2020.

HF-0043

Revised 7/02



Supplemental #2 -COPY-

Eye Surgery Center of
Knoxville

CN1611-038

November 21, 2016**1:19 pm**

November 15, 2016

Phillip Earhart-HSD Examiner

State of Tennessee

Health Services and Development Agency

Andrew Jackson Building, 9th Floor

www.tn.gov/hsda Phone: 615-741-2364/Fax: 615-741-9884

RE: Certificate of Need Application CN1611-038**Eye Surgery Center of Knoxville****Supplemental Information #2 & Affidavit**

Dear Mr. Earhart:

Pursuant to your letter of November 15, 2016, please find our response to the list of questions and request for supplemental information (with Affidavit) with regard to the CON application referenced above. Should you have any questions or require additional information please do not hesitate to contact me.

Kindest regards,



Stephen H. Rudolph, CPA-Consultant for

Eye Surgery Center of Knoxville

PH# 901-219-0173

Email: shrudolphsr@yahoo.com

November 21, 2016**1:19 pm****State of Tennessee****Health Services and Development Agency****Andrew Jackson Building, 9th Floor****www.tn.gov/hsda Phone: 615-741-2364/Fax: 615-741-9884**

November 15, 2016

Stephen H. Rudolph, CPA
Eyecare Resources, LLC
P.O. Box 381342
Germantown, TN 38183-1342

RE: Certificate of Need Application CN1611-038
Eye Surgery Center of Knoxville

Dear Mr. Rudolph:

This will acknowledge our November 10, 2016 receipt of your supplemental response for a Certificate of Need for the establishment of a single specialty ophthalmic ambulatory surgical treatment center at an unaddressed site on the south side of Dannaher Drive, Powell (Knox County), TN 37849. The proposed ambulatory surgical treatment center will have two operating rooms and one laser procedure room.

Several items were found which need clarification or additional discussion. Please review the list of questions below and address them as indicated. The questions have been keyed to the application form for your convenience. I should emphasize that an application cannot be deemed complete and the review cycle begun until all questions have been answered and furnished to this office.

Please submit responses in triplicate by 4PM, November 22, 2016. If the supplemental information requested in this letter is not submitted by or before this time, then consideration of this application may be delayed into a later review cycle.

1. Section C, Need Item 5

The applicant completed the following three tables. However, according to the 2015 Joint Annual Report the Ophthalmology procedure total for The Eye Surgery Center of Oak Ridge is 3,228, not 3,328. Please revise the following three tables and pages 19R and 32R.

RESPONSE: *Please find replacement page 32R with revision for 3,228 cases and revised utilization%. Please find replacement page 7R to reflect revised utilization% information in response to Section A-B. Rationale for Approval-1) Need. Also, please find replacement pages 20R & 21R with respect to revisions in response to Section B. Need-Specific Standards & Criteria for ASTC-Item 4.Need and Economic Efficiencies. Note Page 19R did*

not change as a result of the revisions on page 32R. The following three tables have been revised to reflect the corrected cases on replacement page 32R.

ASTC	County	Oper. Rms/ Proc. Rms	2013 Cases PR+OR	2014 Cases PR+OR	2015 Cases PR+OR	13'-15' % Change
Single Specialty						
Eye Surgery Center of East Tennessee	Knox	2/1=3				
Ophthalmology			3,710	4,572	3,792	2.21%
Total Outpatient Surgeries			3,710	4,572	3,792	2.21%
% Ophthalmologic Procedures			100.00%	100.00%	100.00%	
Knoxville Eye Surgery Center	Knox	4/1=5				
Ophthalmology			10,187	9,628	14,203	39.42%
Total Outpatient Surgeries			10,187	9,628	14,203	39.42%
% Ophthalmologic Procedures			100.00%	100.00%	100.00%	
Southeast Eye Surgery Center, LLC	Knox	1/1=2				
Ophthalmology			N/A	687	2,034	N/A
Total Outpatient Surgeries			N/A	687	2,034	N/A
% Ophthalmologic Procedures			N/A	100.00%	100.00%	
Single Specialty Subtotal		7/3= 10	13,897	14,887	20,029	44.12%
Multi-Specialty						
The Eye Surgery Center of Oak Ridge	Anderson	2/1=3				
Ophthalmology			3,090	3,112	3,228	4.47%
Total Outpatient Surgeries			3,251	3,302	3,518	8.21%
% Ophthalmologic Procedures			95.05%	94.25%	91.76%	
Physicians Surgery Center of Knoxville	Knox	5/0=5				
Ophthalmology			581	912	497	-14.46%
Total Outpatient Surgeries			4,670	5,102	4,472	-4.24%
% Ophthalmologic Procedures			12.44%	17.88%	11.11%	
Multi-Specialty Subtotal		7/1 = 8	7,921	8,404	7,990	0.87%
Total Service Area		14/ 4 = 18	21,818	23,291	28,019	28.42%

Please complete the following table for ASTC's in the proposed 8 county service area that currently provides Ophthalmologic procedures.

ASTC	County	Operating Rooms 2015			Procedure Rooms 2015		
		# ORs	Cases	% of 884 Standard	# PRs	Cases	% of 1,867 Standard
Single Specialty							
Eye Surgery Center of East Tennessee	Knox	2	2,930	165.72%	1	862	46.17%
Knoxville Eye Surgery Center	Knox	4	13,307	376.33%	1	896	47.99%
Southeast Eye Surgery Center, LLC	Knox	1	1,843	208.48%	1	191	10.23%
Subtotal (Single-Specialty)		7	18,080	292.18%	3	1,949	34.80%
Multi-Specialty							
The Eye Surgery Center of Oak Ridge	Anderson	2	2,495	141.12%	1	1,023	54.79%
Physicians Surgery Center of Knoxville	Knox	5	4,472	101.18%	N/A		
Subtotal (Multi-Specialty)		7	6,967	112.59%	1	1,023	54.79%
Grand Total Surgeries		14	25,047	202.38%	4	2,972	39.80%
Cases per OR/PR		1,789				743	

Please complete the following table that indicates the overall ASTC utilization trend for the 8 county proposed service area.

**8 County Service Area Patient Utilization
2013-2015**

County	ASTC	2013			2014			2015			% change 13'-15'
		Oper. Rms/	Proc. Rms	Total Cases	Oper. Rms/	Proc. Rms	Total Cases	Oper. Rms/	Proc. Rms	Total Cases	
Anderson	Single-Specialty	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Anderson	Multi-specialty	2	1	3,251	2	1	3,302	2	1	3,518	8.21%
	Total	2	1	3,251	2	1	3,302	2	1	3,518	8.21%
Blount	Single-Specialty	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Blount	Multi-specialty	4	0	3,342	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Total	4	0	3,342	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Knox	Single-Specialty	6	2	13,897	7	3	14,887	7	3	20,029	44.12%
Knox	Multi-specialty	11	0	4,670	5	0	5,102	5	0	4,472	-4.24%
	Total	17	2	18,567	12	3	19,989	12	3	24,501	31.96%
Service Area	Single-Specialty	6	2	13,897	7	3	14,887	7	3	20,029	44.12%
	Multi-specialty	17	1	11,263	7	1	8,404	7	1	7,990	-29.06%
	Grand Total	23	3	25,160	14	4	23,291	1	4	28,019	11.36%

2. Section C, Economic Feasibility, Item 2 Funding

It is noted the proposed project will be funded 100% by a commercial loan from First Citizens Bank-Knoxville in the amount of \$1,850,000. If needed, please revise page 38R by removing the \$21,000 contribution from the LLC members which appear to not be needed to fund this project. **RESPONSE:** *Please find replacement page 38R with removal of \$21,000 contribution from LLC members.*

In accordance with Tennessee Code Annotated, §68-11-1607(c) (5), "...If an application is not deemed complete within sixty (60) days after written notification is given to the applicant by the agency staff that the application is deemed incomplete, the application shall be deemed void." **For this application the sixtieth (60th) day after written notification is January 3, 2017. If this application is not deemed complete by this date, the application will be deemed void.** Agency Rule 0720-10-.03(4) (d) (2) indicates that "Failure of the applicant to meet this deadline will result in the application being considered withdrawn and returned to the contact person. Re-submittal of the application must be accomplished in accordance with Rule 0720-10-.03 and requires an additional filing fee." Please note that supplemental information must be submitted timely for the application to be deemed complete prior to the beginning date of the review cycle which the applicant intends to enter, even if that time is less than the sixty (60) days allowed by the statute. The supplemental information must be submitted with the enclosed affidavit, which shall be executed and notarized; please attach the notarized affidavit to the supplemental information.

If all supplemental information is not received and the application officially deemed complete prior to the beginning of the next review cycle, then consideration of the

application could be delayed into a later review cycle. The review cycle for each application shall begin on the first day of the month after the application has been deemed complete by the staff of the Health Services and Development Agency.

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. § 68-11-1607(d):

- (1) No communications are permitted with the members of the agency once the Letter of Intent initiating the application process is filed with the agency. Communications between agency members and agency staff shall not be prohibited. Any communication received by an agency member from a person unrelated to the applicant or party opposing the application shall be reported to the Executive Director and a written summary of such communication shall be made part of the certificate of need file.
- (2) All communications between the contact person or legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Should you have any questions or require additional information, please do not hesitate to contact this office.

Sincerely,

Phillip Earhart
HSD Examiner

Enclosure/PME



**State of Tennessee
Health Services and Development Agency**

Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

www.tn.gov/hsda

Phone: 615-741-2364

Fax: 615-741-9884

LETTER OF INTENT

The Publication of Intent is to be published in the **Knoxville News-Sentinel** which is a newspaper

(Name of Newspaper)

of general circulation in

Knox County, Tennessee, on or before
(County)

November 1st, 2016,
(Month / day) (Year)

for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency, that:

Eye Surgery Center of Knoxville,

(Name of Applicant)

a proposed ambulatory surgical treatment center to be

(Facility Type-Existing)

owned and managed by Eye Surgery Center of Knoxville, LLC (a Limited Liability Company) intends to file an application for a Certificate of Need for the establishment of a single specialty ophthalmic ambulatory surgery center at a site on the south side of Dannaher Drive (without an address currently) in Powell, Knox County, TN approximately 0.2 miles east of the owner's office at 7800 Conner Road, Powell, TN 37849. The estimated cost for the project is approximately \$1,850,000 and the facility will seek licensure as an ambulatory surgical treatment center limited to ophthalmology, providing eye and related laser procedures. The facility will have two (2) operating rooms and one (1) laser procedure room. The project does not contain major medical equipment, initiate or discontinue any other health service, and will not affect any licensed bed complements.

The anticipated date of filing the application is **November 2, 2016**.

The contact person for this project is **Stephen H. Rudolph, CPA** who may be reached at **Eyecare Resources, LLC, P.O. Box 381342, Germantown, TN 38183-1342; 901-219-0173**.


(Signature)


(Date)

shrudolphsr@yahoo.com
(E-mail Address)

The Letter of Intent must be **filed in triplicate** and **received between the first and the tenth day** of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

**Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243**

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.



FEB 6 '17 AM 9:29

January 31, 2017

Ms. Melanie Hill
Executive Director
Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

Re: Eye Surgery Center of Knoxville
CN1611-038

Dear Ms. Hill:

Tennova North Knoxville Medical Center ("NKMC") submits this letter of opposition regarding the Eye Surgery Center of Knoxville, CN1611-038, because the application does not meet the statutory criteria of orderly development of health care.

NKMC is located at 7565 Dannaher Drive, Powell, Tennessee. The proposed facility would be located 500 yards from our hospital's front door. NKMC's surgery department provides service 24 hours a day, 7 days a week, 365 days a year. The hospital currently has space and access to equipment for ophthalmic surgeons to perform surgery. In 2016, 422 laser surgery cases were performed in the surgery department, and these cases were performed by the physicians proposing to build the new ASTC. The revenue generated from those cases supported the substantial amount of charity care and discounts to uninsured patients provided by NKMC. The approval of this application will adversely affect NKMC by reducing revenue which is used to support a full service hospital and to provide charity care and discounted care to the uninsured. Our hospital will not be the only facility adversely impacted by this project. In 2016, Physicians Regional Medical Center in Knoxville had 1,193 ophthalmic cases performed at the hospital, and 1,176 were performed by the physician investors in the proposed ASTC.

While the application cites the desire of the physician investors to "maximize their efficiency," this is simply a euphemism for maximizing their income to the detriment of

Ms. Melanie Hill
January 31, 2017
Page 2

62641.9831
FEB 6 '17 AM 9:29

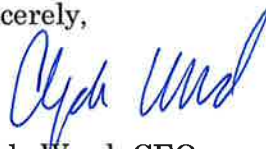
other providers. Indeed, the application states that the net income for the proposed facility will exceed \$1 Million Dollars in its first two years of business, although not operating at full capacity.

The Agency routinely considers applications for single specialty ASTCs limited to physicians practicing in one group. An extremely negative aspect of this project is the fact that it will not be limited to physicians practicing in one group. As the application states, the physician investors are from "four well established ophthalmic groups in Knox County;" and the application states that it is the intent of physician investors to provide surgical privileges to other physicians in the area. The approval of this project will not only reduce revenue to NKMC and the existing providers, it will make it exceedingly difficult, if not impossible, to recruit new physicians to perform ophthalmic surgery.

Finally, there is no groundswell of support from consumers for this project because there is no demonstrated lack of access to obtain ophthalmic services in either outpatient surgery departments of hospitals, or in free standing ASTCs. This is validated by the fact that the applicant proposes to only staff its surgical suites four days a week during the first two years of operation. We respectfully submit that the application does not promote the orderly development of health care, and it should be denied.

In the event that the Agency members are inclined to approve the application, two conditions should be placed on the certificate of need limiting it as a single specialty ASTC and prohibiting the approval of surgical privileges to additional physicians for two years.

Sincerely,



Clyde Wood, CEO
North Knoxville Medical Center

cc: Stephen H. Rudolph
Eyecare Resources, LLC
P. O. Box 38142
Germantown, TN 38183-1342

**RULES
OF
HEALTH SERVICES AND DEVELOPMENT AGENCY**

**CHAPTER 0720-11
CERTIFICATE OF NEED PROGRAM – GENERAL CRITERIA**

TABLE OF CONTENTS

0720-11-.01 General Criteria for Certificate of Need

0720-11-.01 GENERAL CRITERIA FOR CERTIFICATE OF NEED. The Agency will consider the following general criteria in determining whether an application for a certificate of need should be granted:

- (1) Need. The health care needed in the area to be served may be evaluated upon the following factors:
 - (a) The relationship of the proposal to any existing applicable plans;
 - (b) The population served by the proposal;
 - (c) The existing or certified services or institutions in the area;
 - (d) The reasonableness of the service area;
 - (e) The special needs of the service area population, including the accessibility to consumers, particularly women, racial and ethnic minorities, TennCare participants, and low-income groups;
 - (f) Comparison of utilization/occupancy trends and services offered by other area providers;
 - (g) The extent to which Medicare, Medicaid, TennCare, medically indigent, charity care patients and low income patients will be served by the project. In determining whether this criteria is met, the Agency shall consider how the applicant has assessed that providers of services which will operate in conjunction with the project will also meet these needs.
- (2) Economic Factors. The probability that the proposal can be economically accomplished and maintained may be evaluated upon the following factors:
 - (a) Whether adequate funds are available to the applicant to complete the project;
 - (b) The reasonableness of the proposed project costs;
 - (c) Anticipated revenue from the proposed project and the impact on existing patient charges;
 - (d) Participation in state/federal revenue programs;
 - (e) Alternatives considered; and
 - (f) The availability of less costly or more effective alternative methods of providing the benefits intended by the proposal.
- (3) Contribution to the Orderly Development of Adequate and Effective Healthcare Facilities and/or Services. The contribution which the proposed project will make to the orderly development of an adequate and effective health care system may be evaluated upon the following factors:

(Rule 0720-11-.01, continued)

- (a) The relationship of the proposal to the existing health care system (for example: transfer agreements, contractual agreements for health services, the applicant's proposed TennCare participation, affiliation of the project with health professional schools);
 - (b) The positive or negative effects attributed to duplication or competition;
 - (c) The availability and accessibility of human resources required by the proposal, including consumers and related providers;
 - (d) The quality of the proposed project in relation to applicable governmental or professional standards.
- (4) Applications for Change of Site. When considering a certificate of need application which is limited to a request for a change of site for a proposed new health care institution, The Agency may consider, in addition to the foregoing factors, the following factors:
 - (a) Need. The applicant should show the proposed new site will serve the health care needs in the area to be served at least as well as the original site. The applicant should show that there is some significant legal, financial, or practical need to change to the proposed new site.
 - (b) Economic factors. The applicant should show that the proposed new site would be at least as economically beneficial to the population to be served as the original site.
 - (c) Contribution to the orderly development of health care facilities and/or services. The applicant should address any potential delays that would be caused by the proposed change of site, and show that any such delays are outweighed by the benefit that will be gained from the change of site by the population to be served.
- (5) Certificate of need conditions. In accordance with T.C.A. § 68-11-1609, The Agency, in its discretion, may place such conditions upon a certificate of need it deems appropriate and enforceable to meet the applicable criteria as defined in statute and in these rules.

Authority: T.C.A. §§ 4-5-202, 68-11-1605, and 68-11-1609. **Administrative History:** Original rule filed August 31, 2005; effective November 14, 2005.

CERTIFICATE OF NEED
REVIEWED BY THE DEPARTMENT OF HEALTH
DIVISION OF POLICY, PLANNING AND ASSESSMENT
615-741-1954

DATE: January 31, 2017
APPLICANT: Eye Surgery Center of Knoxville, LLC
Unaddressed site on Dannaher Drive
Powell, Tennessee 37846

CONTACT PERSON: Steven H. Rudolph, CPA
Eyecare Resources, LLC
P.O. Box 381342
Germantown, Tennessee 38183-1342

COST: \$1,850,000

In accordance with Section 68-11-1608(a) of the Tennessee Health Services and Planning Act of 2002, the Tennessee Department of Health, Division of Policy, Planning, and Assessment, reviewed this certificate of need application for financial impact, TennCare participation, compliance with *Tennessee's State Health Plan*, and verified certain data. Additional clarification or comment relative to the application is provided, as applicable, under the heading "Note to Agency Members."

SUMMARY:

The applicant, Eye Surgery Center of Knoxville, LLC, located at the an unaddressed site on Dannaher Drive, Knoxville, Tennessee 37849, seeks Certificate of Need (CON) approval for the establishment of a single specialty ophthalmic ambulatory surgery center limited to ophthalmology, providing eye and related laser procedures. The facility will have two operating rooms and one laser procedure room. The project does not contain major medical equipment, initiate or discontinue any other health service, and will not affect any licensed bed compliments.

The project involves 4,200 square feet of newly constructed space at a cost of \$735,000; or \$175 per square foot.

The facility will be owned by Eye Surgery Center of Knoxville, LLC (ESCK) and managed by its member owners. The following table illustrates the member owners and their relationship to the ESCK group:

Affiliated Medical Practice	Physician Owners	Eye Surgery Center of Knoxville, LLC Owner
Center for Sight, PC 7800 Conner Road Powell, Tenn. 37849	Stephen R. Franklin, MD Kenneth L Raulston, MD*	Stephen R. Franklin, MD
East Tennessee Eye Surgeons, PC 7800 Conner Road Powell, Tenn. 37849	John T. Dawson MD Kevin T. Gallaher MD	John T. Dawson MD Kevin T. Gallaher MD
Steven L. Sterling MD PC 2607 Kingston Pike Suite 182 Knoxville, TN. 37919	Steven L. Sterling MD PC	Steven L. Sterling MD PC
Eye Care Centers, PLLC d/b/a Tenn. Eye Care 6354 Lonas Spring Drive Powell, Tn. 37909	Matthew D Lowrance MD Thomas A. Browning, MD	Matthew D Lowrance MD Thomas A. Browning, MD

*Kenneth L. Raulston, MD is not an owner but will be performing surgeries at ESCK.

The total estimated cost of the project is \$1,850,000 and will be financed through a commercial loan from First Citizens Bank-Knoxville, Tennessee, and Capital Contributions from the LLCs Members totaling \$21,000. The applicant provides a letter from First Citizens Bank in Attachment B-Economic Feasibility-2.

GENERAL CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all of the general criteria for Certificate of Need as set forth in the document *Tennessee's State Health Plan*.

NEED:

The applicant's designated service area is comprised of Anderson, Blount, Campbell, Grainger, Jefferson, Knox, Sevier, and Union counties.

County	2017 Population	2021 Population	% of Increase/ (Decrease)
Anderson	78,026	79,397	1.8%
Blount	134,882	141,326	4.8%
Campbell	41,559	41,839	0.7%
Grainger	24,073	24,727	2.7%
Jefferson	56,406	59,005	4.6%
Knox	472,075	494,508	4.8%
Sevier	102,998	110,270	7.1%
Union	20,020	20,412	2.0%
Total	930,039	971,484	4.5%

Tennessee Population Projections 2000-2020, 2015 Revised UTCBER, Tennessee Department of Health

ESCK, LLC seeks to establish a new single specialty ambulatory surgery center ASTC in Knox County. Initially, there will be six Board certified ophthalmologists from four well established ophthalmic practices in Knox County that will be performing the eye surgery within the facility. The following six physicians will be performing eye surgeries within the new facility and will also constitute the ownership of the ASTC:

Eye Surgery Center of Knoxville, LLC Owners
Stephen R. Franklin, MD
John T. Dawson MD Kevin T. Gallaher MD
Steven L. Sterling MD PC
Matthew D Lowrance MD Thomas A. Browning, MD

This new ASTC will be limited to ophthalmic surgery and laser procedures not requiring general anesthesia. The proposed ASTC is located on the south side of Dannaher Drive on a 1.6 acre parcel of land in the North Knoxville are of Powell, Tennessee. This location is located 0.2 miles east of the owner's office within the Southeast Eye Center at 7800 Conner Road which currently houses two of the ophthalmic medical practices (Center for Sight, PC and East Tenn. Eye Surgeons, PC) associated with this project. The two other Knoxville based practices associated with this project are each located approximately 11 miles from the proposed ASTC site. The proposed 4,200 square foot ASTC will contain two operating rooms and one laser procedure room. The facility will be owned by Eye Surgery Center of Knoxville, LLC and managed by its member owners who will be performing surgery in the facility. The member owners will be referred to as the ESCG group.

The applicant believes the project site is ideally located in the North Knoxville area conveniently located near the four ophthalmic practices referring patients from this growing market. The applicant reports that based on utilization of ambulatory surgical and hospital outpatient services provided by the ESCK group physicians in 2015, 86.35% of the patients served originated from the eight county service area.

The following table illustrates the utilization of providers performing ophthalmic procedures in the 8 county service area at either dedicated eye surgery facilities or multispecialty surgery centers.

Service Area ASTC Utilization 2015

Facility	County	# ORs Rooms	Cases	% of 884 Standard	# PRs	Cases	% of 1,867 Standard
Single Specialty							
Eye Surgery Center if East Tenn.	Knox	2	2,930		1	862	46.17%
Knoxville Eye Surgery Center	Knox	4	13,307		1	896	47.99%
Southeast Eye Surgery Center, LLC	Knox	1	1,843		1	191	10.23
Subtotal		7	18,080	292.18%	3	1,949	34.80%
Multi-Specialty							
The Eye Surgery Center of Oak Ridge	Anderson	2	2,495	141.12%	1	1,023	54.79%
Physicians Surgery Center of Knoxville	Knox	5	4,472	101.18%	N/A		
Subtotal		7	6,967		1	1,023	54.79%
Grand Total		14	25,047	202.38%	4	2,972	39.80%
Cases per OR/PR		1,789				743	

Source: *Joint Annual Report of Ambulatory Surgical Treatment Centers 2015 Final*, Tennessee Department of Health, Division of Policy, Planning, and Assessment-Office of Health Statistics.

The 14 total operating rooms performed 25,047 cases for a capacity of 202.38%; while the 4 procedure rooms performed 2,972 cases for a capacity of 39.80%.

All of the eye specialty ASTCs are at or above full capacity and are closed staff. None of the existing ASTCs can accommodate the total need for ophthalmic and related eye laser procedures performed by the ESCK group within the service area.

Service Area ASTC Utilization 2015

Facility	County	# ORs Rooms/ Proc. Rms	2013 Cases PR+OR	2014 Cases OR+PR	2015 Cases OR+PR	13'-15' Change
Single Specialty						
Eye Surgery Center if East Tenn.	Knox	2/1=3	3,710	4,572	3,792	2.21%
Knoxville Eye Surgery Center	Knox	4/1=5	10,187	9,628	14,203	39.42%
Southeast Eye Surgery Center, LLC	Knox	1/1=2	N/A	687	2,034	N/A
Subtotal		7	13,897	14,887	20,029	44.12%
Multi-Specialty						
The Eye Surgery Center of Oak Ridge	Anderson	2/1=3	3,251	3,302	3,518	8.21%
Total Cases						
Ophthalmologic Cases			3,090	3,112	3,228	4.27%
Physicians Surgery Center of Knoxville	Knox	5/0	4,670	5,102	4,472	-4.24%
Total Cases						
Ophthalmologic Cases			581	912	497	-14.46%
Subtotal		7/1=8	7,921	8,404	7,990	0.87%
Total Service Area		14/4=18	21,818	23,291	28,019	28.42%

The existing ASTCs providing eye services are highly utilized and significantly exceed the State Guidelines. There are five existing ASTCs within the applicant's service area which currently

provide eye services. There are no ASTCs currently licensed in five of the counties in the service area-Campbell, Grainger, Jefferson, Sevier, and Union counties and on ASTC licensed in Blount County that provides eye services. The number of operating rooms/procedure rooms providing eye services decrease from 31 to 18 since 2013. In 2015, the existing ASTCs in the service area averaged 1,789 cases per OR and 743 cases per PR. The project complies with State Guidelines and will not adversely affect the existing facilities.

TENNCARE/MEDICARE ACCESS:

The applicant intends to participate in both the Medicare and Medicaid programs and contract with TennCare MCOs.

ESCK projects year one gross Medicare/Medicare Managed care revenues of \$3,864,029 or 56.08% of total gross revenues and TennCare gross revenues of \$406,495 of 5.90%.

ECONOMIC FACTORS/FINANCIAL FEASIBILITY:

The Department of Health, Division of Policy, Planning, and Assessment have reviewed the Project Costs Chart, the Historical Data Chart, and the Projected Data Chart to determine if they are mathematically accurate and if the projections are based on the applicant's anticipated level of utilization. The location of these charts may be found in the following specific locations in the Certificate of Need Application or the Supplemental material:

Project Costs Chart: The Project Costs Chart is located page 38 of the application. The total estimated project cost is \$1,850,000 and will be financed through a commercial loan from First Citizens Bank-Knoxville, Tennessee, and Capital Contributions from the LLCs Members totaling \$21,000. The applicant provides a letter from First Citizens Bank in Attachment B-Economic Feasibility-2.

Historical Data Chart: The Historical Data Chart is located 39 of the application. The applicant reports 94,210, 95,199, and 101,730 patient encounters in 2013, 2014, and 2015, with net operating income of \$362,799, \$251,156, and \$513,127 each year, respectively.

Projected Data Chart: The Projected Data Chart is located on page 42 of the application. The applicant projects 4,014 and 4,416 surgical cases in 2018 and 2019 with net operating income of \$1,127,116 and \$1,303,256 each year, respectively.

The following table provides the applicant's

	Year One	Year Two
Average Gross Charge	\$1,716.43	\$1,716.73
Average Deduction	\$991.15	\$991.31
Average Net Charge	\$725.27	\$725.42

Charges of service area providers are provided in the table below for comparison.

	Total Cases	Total Projected Cases	Gross Charges	Net Average Charge	Gross Charge/Case	Net Average Charge/Case
Eye Surgery Center if East Tenn.	3,792	n/a	\$13,162,772	\$4,003,197	\$3,471.20	\$1,055.70
Knoxville Eye Surgery Center	14,203	n/a	\$28,199,293	\$10,340,142	\$1,985.45	\$728.03
Southeast Eye Surgery Center, LLC	2,034	n/a	\$7,957,668	\$2,234,920	\$3,912.32	\$1,098.78
The Eye Surgery Center of Oak Ridge	3,518	n/a	\$4,269,068	\$2,626,756	\$1,213.49	\$747.66
Total Cases						

Staffing for this project will include 1.0 FTE RN-Administrator, 1.0 FTE RN-Pre Op/Infection Control, 1.0 FTE RN/PACU, 3 .80 FTEs Surgical Scrub Techs, 1.0 FTE Registration and Medical records, and 1.0 FTE Billing and Insurance-Administration for a tot of 7.40 FTEs.

The applicant considered renovating an existing building in another area of Knox County but determined that a newly constructed facility designed to address the long term needs of the physicians and their patients was the best alternative.

QUALITY CONTROL AND MONITORING

The applicant will seek licensure from the Tennessee Department of Health, Board for Licensing Healthcare Facilities as a Single Specialty ASTC limited to ophthalmic procedures.

The applicant will seek accreditation from the American Association for Ambulatory Healthcare (AAAHC) as an Ambulatory Surgical Treatment Center limited to ophthalmic procedures.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTHCARE:

ESCK has transfer agreements with both the Covenant Health and Tennova hospital systems with which the physicians currently have admitting privileges; including Tennova North Knoxville Medical Center located on Dannaher Way adjacent to the ASTC project site on Dannaher Drive in Powell, TN., and Fort Sander Regional Medical Center 1901 Clinch Avenue, Knoxville, TN.

The proposed project will not have a negative impact in the existing facilities providing eye care surgical services and will enhance accessibility for the patients for the four medical practices. This should contribute to the optimization of quality surgical care and outcomes for the elderly population within the applicant's service area. The service area needs additional surgical capacity for ophthalmic surgical cases which this project can provide. The existing ophthalmic ASTCs are heavily utilized.

The applicant believes there are no negative effects from the proposed project.

SPECIFIC CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all relevant specific criteria for Certificate of Need as set forth in the document *Tennessee's State Health Plan*.

AMBULATORY SURGICAL TREATMENT CENTERS

Determination of Need

1. **Need.** The minimum numbers of 884 Cases per Operating Room and 1,867 Cases per Procedure Room are to be considered as baseline numbers for purposes of determining Need. An applicant should demonstrate the ability to perform a minimum of 884 Cases per Operating Room and/or 1,867 Cases per Procedure Room per year, except that an applicant may provide information on its projected case types and its assumptions of estimated average time and clean up and preparation time per Case if this information differs significantly from the above-stated assumptions. It is recognized that an ASTC may provide a variety of services/Cases and that as a result the estimated average time and clean up and preparation time for such services/Cases may not meet the minimum numbers set forth herein. It is also recognized that an applicant applying for an ASTC Operating Room(s) may apply for a Procedure Room, although the anticipated utilization of that Procedure Room may not meet the base guidelines contained here. Specific reasoning and explanation for the inclusion in a CON application of such a Procedure Room must be provided. An applicant that desires to limit its Cases to specific type or types should apply for a Specialty ASTC.

The applicant will limit its cases in the proposed ASTC to ophthalmology and the project will include two operating rooms and a procedure room for laser procedures. Single specialty ophthalmic ASTC laser procedure rooms traditionally have lower utilization than general purpose outpatient procedure rooms but are very proficient. They require limited staffing and generally do not require anesthesia. The laser procedure rooms are critical to providing comprehensive quality eye care and surgery in the ophthalmic ASTC.

2. **Need and Economic Efficiencies.** An applicant must estimate the projected surgical hours to be utilized per year for two years based on the types of surgeries to be performed, including the preparation time between surgeries. Detailed support for estimates must be provided.

YEAR ONE

Surgical Procedure	Year 1 Cases	Ave Case Time	Ave Clean Up & Prep	Total Mins	Year 1 Mins	Year 1 Hrs	Utilization
Cataract Surgery	3,156	14	13	27	85,212	1,420.2	
Glaucoma Surgery	12	30	13	43	516	8.6	
Other eye Surgery	32	30	13	43	1,376	22.9	
Surgical Total	3,200	n/a	n/a	n/a	87,104	1,451.7	45.37%

YEAR ONE

Laser Procedure	Year 1 Cases	Ave Case Time	Ave Clean Up & Prep	Total Mins	Year 1 Mins	Year 1 Hrs	Utilization
Lag Laser Procedure	767	5	10	15	11,505	191.8	
Retina Laser Procedure	28	5	10	15	420	7.0	
SIT Laser Procedure	19	5	10	15	185	4.8	
PR Total	814	n/a	n/a	n/a	12,210	203.5	
Total Facility	4,014	n/a	n/a	n/a	186,418	1,655.2	10.18%

YEAR TWO

Surgical Procedure	Year 1 Cases	Ave Case Time	Ave Clean Up & Prep	Total Mins	Year 1 Mins	Year 2 Hrs	Utilization
Cataract Surgery	3,473	14	13	27	93,771	1,592.9	
Glaucoma Surgery	13	30	13	43	559	9.3	
Other eye Surgery	37	30	13	43	1,591	26.5	
Surgical Total	3,523	n/a	n/a	n/a	92,921	1,598.7	49.96%

YEAR TWO

Laser Procedure	Year 1 Cases	Ave Case Time	Ave Clean Up & Prep	Total Mins	Year 1 Mins	Year 2 Hrs	Utilization
Lag Laser Procedure	843	5	10	15	12,645	210.8	
Retina Laser Procedure	29	5	10	15	435	7.3	
SIT Laser Procedure	21	5	10	15	315	5.3	

PR Total	893	n/	n/a	n/a	13,395	223.3	
Total Facility	4,416	n/5a	n/a	n/a	205,237	1,821.9	11.16%

- 3. Need; Economic Efficiencies; Access.** To determine current utilization and need, an applicant should take into account both the availability and utilization of either: all existing outpatient Operating Rooms and Procedure Rooms in a Service Area, including physician office based surgery rooms (when those data are officially reported and available) OR, all existing comparable outpatient Operating Rooms and Procedure Rooms based on the type of Cases to be performed. Additionally, applications should provide similar information on the availability of nearby out-of-state existing outpatient Operating Rooms and Procedure Rooms, if that data are available, and provide the source of that data. Unstaffed dedicated outpatient Operating Rooms and unstaffed dedicated outpatient Procedure Rooms are considered available for ambulatory surgery and are to be included in the inventory and in the measure of capacity.

Service Area ASTC Utilization 2015

Facility	County	# ORs Rooms	Cases	% of 884 Standard	# PRs	Cases	% of 1,867 Standard
Single Specialty							
Eye Surgery Center if East Tenn.	Knox	2	2,930		1	862	46.17%
Knoxville Eye Surgery Center	Knox	4	13,307		1	896	47.99%
Southeast Eye Surgery Center, LLC	Knox	1	1,843		1	191	10.23
Subtotal		7	18,080	292.18%	3	1,949	34.80%
Multi-Specialty							
The Eye Surgery Center of Oak Ridge	Anderson	2	2,495	141.12%	1	1,023	54.79%
Physicians Surgery Center of Knoxville	Knox	5	4,472	101.18%	N/A		
Subtotal		7	6,967		1	1,023	54.79%
Grand Total		14	25,047	202.38%	4	2,972	39.80%
Cases per OR/PR	1,789					743	

Source: *Joint Annual Report of Ambulatory Surgical Treatment Centers 2015 Final*, Tennessee Department of Health, Division of Policy, Planning, and Assessment-Office of Health Statistics.

All of the eye specialty ASTCs are at or above full capacity and are closed staff. None of the existing ASTCs can accommodate the total need for ophthalmic and related eye laser procedures performed by the ESK group within the service area.

Service Area ASTC Utilization 2015

Facility	County	# ORs Rooms/ Proc. Rms	2013 Cases PR+OR	2014 Cases OR+PR	2015 Cases OR+PR	13'-15' Change
Single Specialty						
Eye Surgery Center if East Tenn.	Knox	2/1=3	3,710	4,572	3,792	2.21%
Knoxville Eye Surgery Center	Knox	4/1=5	10,187	9,628	14,203	39.42%
Southeast Eye Surgery Center, LLC	Knox	1/1=2	N/A	687	2,034	N/A
Subtotal		7	13,897	14,887	20,029	44.12%
Multi-Specialty						
The Eye Surgery Center of Oak Ridge	Anderson	2/1=3	3,251	3,302	3,518	8.21%
Total Cases						
Ophthalmologic Cases			3,090	3,112	3,228	4.27%
Physicians Surgery Center of Knoxville	Knox	5/0	4,670	5,102	4,472	-4.24%
Total Cases						
Ophthalmologic Cases			581	912	497	-14.46%
Subtotal		7/1=8	7,921	8,404	7,990	0.87%
Total Service Area		14/4=18	21,818	23,291	28,019	28.42%

The existing ASTCs providing eye services are highly utilized and significantly exceed the State Guidelines. There are five existing ASTCs within the applicant's service area which currently provide eye services. There are no ASTCs currently licensed in five of the counties in the service area-Campbell, Grainger, Jefferson, Sevier, and Union counties and on ASTC licensed in Blount County that provides eye services. The number of operating rooms/procedure rooms providing eye services decrease from 31 to 18 since 2013. In 2015, the existing ASTCs in the service area averaged 1,789 cases per OR and 743 cases per PR. The project complies with State Guidelines and will not adversely affect the existing facilities.

4. Need and Economic Efficiencies.

An applicant must document the potential impact that the proposed new ASTC would have upon the existing service providers and their referral patterns. A CON application to establish an ASTC or to expand existing services of an ASTC should not be approved unless the existing ambulatory surgical services that provide comparable services regarding the types of Cases performed, if those services are known and relevant, within the applicant's proposed Service Area or within the applicant's facility are demonstrated to be currently utilized at 70% or above.

The impact of the proposed ASTC on the existing providers should be minimal. There are two facilities affected by this proposed project. Physicians Surgery Center of Knoxville, a multi-specialty ASTC in Knox County that does not have a procedure room or equipment for providing laser procedures. The facility is not currently in network with certain insurance plans. Eye cases accounted for only 11% of total cases performed in this facility. Knoxville Eye Surgery Center is the other facility which this project may have a marginal impact upon.

5. Need

An application for a Specialty ASTC should present its projections for the total number of cases based on its own calculations for the projected length of time per type of case, and shall provide any local, regional, or national data in support of its methodology. An applicant for a Specialty ASTC should provide its own definitions of the surgeries and/or procedures that will be performed and whether the Surgical Cases will be performed in an Operating Room or a Procedure Room. An applicant for a Specialty ASTC must document the potential impact that the proposed new ASTC would have upon the existing service providers and their referral patterns. A CON proposal to establish a Specialty ASTC or to expand existing services of a Specialty ASTC shall not be approved unless the existing ambulatory surgical services that provide comparable services regarding the types of Cases performed within the applicant's proposed Service Area or within the applicant's facility are demonstrated to be currently utilized at 70% or above. An applicant that is granted a CON for a Specialty ASTC shall have the specialty or limitation placed on the CON.

Service Area ASTC Utilization 2015

Facility	County	# ORs Rooms	Cases	% of 884 Standard	# PRs	Cases	% of 1,867 Standard
Single Specialty							
Eye Surgery Center of East Tenn.	Knox	2	2,930		1	862	46.17%
Knoxville Eye Surgery Center	Knox	4	13,307		1	896	47.99%
Southeast Eye Surgery Center, LLC	Knox	1	1,843		1	191	10.23
Subtotal		7	18,080	292.18%	3	1,949	34.80%
Multi-Specialty							
The Eye Surgery Center of Oak Ridge	Anderson	2	2,495	141.12%	1	1,023	54.79%
Physicians Surgery Center of Knoxville	Knox	5	4,472	101.18%	N/A		
Subtotal		7	6,967		1	1,023	54.79%

Grand Total		14	25,047	202.38%	4	2,972	39.80%
Cases per OR/PR	1,789					743	

Other Standards and Criteria

6. Access to ASTCs.

The majority of the population in a Service Area should reside within 60 minutes average driving time to the facility.

The majority of the population in the service area resides within 60 minutes driving time of the facility.

7. Access to ASTCs.

An applicant should provide information regarding the relationship of an existing or proposed ASTC site to public transportation routes if that information is available.

Public transportation services are available as well as TennCare transportation in the service area.

8. Access to ASTCs.

An application to establish an ambulatory surgical treatment center or to expand existing services of an ambulatory surgical treatment center must project the origin of potential patients by percentage and county of residence and, if such data are readily available, by zip code, and must note where they are currently being served. Demographics of the Service Area should be included, including the anticipated provision of services to out-of-state patients, as well as the identity of other service providers both in and out of state and the source of out-of-state data. Applicants shall document all other provider alternatives available in the Service Area. All assumptions, including the specific methodology by which utilization is projected, must be clearly stated.

In 2015, 86.35% of the patients served ESCK group physicians served originated from the eight county service area. The service area total population is anticipated to grow by 4.5% over the next four years and the 65+ population is anticipated to grow by 15.8%.

9. Access and Economic Efficiencies.

An application to establish an ambulatory surgical treatment center or to expand existing services of an ambulatory surgical treatment center must project patient utilization for each of the first eight quarters following completion of the project. All assumptions, including the specific methodology by which utilization is projected, must be clearly stated.

The applicant projects the following:

	Year One	Year Two
1 st Quarter	1,003	1,104
2 nd Quarter	1,003	1,103
3 rd Quarter	1,004	1,103
4 th Quarter	1,004	1,106
Total	4,014	4,416

10. Patient Safety and Quality of Care; Health Care Workforce.

a. An applicant should be or agree to become accredited by any accrediting organization approved by the Centers for Medicare and Medicaid Services, such as the Joint

Commission, the Accreditation Association of Ambulatory Health Care, the American Association for Accreditation of Ambulatory Surgical Facilities, or other nationally recognized accrediting organization.

The applicant will seek accreditation American Association for Ambulatory Healthcare (AAAHC) as an Ambulatory Surgical Treatment Center limited to ophthalmic procedures.

b. An applicant should estimate the number of physicians by specialty that are expected to utilize the facility and the criteria to be used by the facility in extending surgical and anesthesia privileges to medical personnel. An applicant should provide documentation on the availability of appropriate and qualified staff that will provide ancillary support services, whether on- or off-site.

The applicant will consider offering surgical privileges to other qualified physicians once appropriate physician credentialing and admission policies have been established.

11. Access to ASTCs.

In light of Rule 0720-11.01, this lists the factors concerning need on which an application may be evaluated, and Principle No. 2 in the State Health Plan, "Every citizen should have reasonable access to health care," the HSDA may decide to give special consideration to an applicant:

a. Who is offering the service in a medically underserved area as designated by the United States Health Resources and Services Administration.

N/A

b. Who is a "safety net hospital" or a "children's hospital" as defined by the Bureau of TennCare Essential Access Hospital payment program;

N/A

Not applicable.

N/A

c. Who provides a written commitment of intention to contract with at least one TennCare MCO and, if providing adult services, to participate in the Medicare program; or

N/A

d. Who is proposing to use the ASTC for patients that typically require longer preparation and scanning times? The applicant shall provide in its application information supporting the additional time required per Case and the impact on the need standard.

Not applicable.